Polski Koncern Naftowy ORLEN
Spółka Akcyjna

ORLEN GROUP

CONSOLIDATED QUARTERLY REPORT

FOR THE 4th QUARTER 2022

ORLEN GROUP - SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2022	12 MONTHS ENDED 31/12/2021	12 MONTHS ENDED 31/12/2022	12 MONTHS ENDED 31/12/2021
Sales revenues	278 509	131 341	59 405	28 693
Operating profit increased by depreciation and amortisation (EBITDA)	50 455	19 211	10 762	4 197
Operating profit increased by depreciation and amortisation (EBITDA) adjusted for the gain on bargain purchase of the LOTOS Group i PGNiG Group	36 438	-	7 772	-
EBITDA before net impairment allowances	53 842	18 400	11 484	4 020
Profit from operations (EBIT), incl.:	43 561	13 870	9 291	3 030
gain on bargain purchase of the LOTOS Group and of the PGNiG Group	*14 017*	-	*2 990*	-
Profit from operations adjusted for the gain on bargain purchase of the LOTOS Group and of the PGNiG Group	29 544	-	6 302	-
Profit before tax	42 983	13 683	9 168	2 989
Profit before tax adjusted for the gain on bargain purchase of the LOTOS Group and of the PGNiG Group	28 966	-	6 178	-
Net profit before net impairment allowances	38 845	10 377	8 286	2 267
Net profit adjusted for the gain on bargain purchase of the LOTOS Group and of the PGNiG Group	21 441	-	4 573	-
Net profit	**35 458**	**11 188**	**7 563**	**2 444**
Total net comprehensive income	41 686	11 660	8 891	2 547
Net profit attributable to equity owners of the parent	35 331	11 122	7 536	2 430
Total net comprehensive income attributable to equity owners of the parent	41 556	11 587	8 864	2 531
Net cash from operating activities	32 904	13 295	7 018	2 905
Net cash (used) in investing activities	(1 898)	(9 739)	(404)	(2 128)
Net cash (used) in financing activities	(13 159)	(2 006)	(2 807)	(438)
Net increase in cash	17 847	1 550	3 807	339
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN/EUR per share)	30.43	26.00	6.49	5.68
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Non-current assets	154 908	68 706	33 030	14 938
Current assets	117 839	38 048	25 126	8 272
Total assets	**272 747**	**106 754**	**58 156**	**23 210**
Share capital	1 974	1 058	421	230
Equity attributable to equity owners of the parent	137 863	51 707	29 396	11 242
Total equity	**138 859**	**52 578**	**29 608**	**11 431**
Non-current liabilities	41 817	23 883	8 916	5 193
Current liabilities	92 071	30 293	19 632	6 586
Number of shares	1 160 942 049	427 709 061	1 160 942 049	427 709 061
Carrying amount and diluted carrying amount per share attributable to equity owners of the parent (in PLN/EUR per share)	118.75	120.89	25,32	26.28

PKN ORLEN – SELECTED DATA

	PLN million		EUR million	
	12 MONTHS ENDED 31/12/2022	12 MONTHS ENDED 31/12/2021	12 MONTHS ENDED 31/12/2022	12 MONTHS ENDED 31/12/2021
Sales revenues	205 799	89 680	43 896	19 600
Profit from operations increased by depreciation and amortisation (EBITDA)	32 478	9 936	6 927	2 172
Operating profit increased by depreciation and amortisation (EBITDA) adjusted for the gain on bargain purchase of the Grupa LOTOS S.A. and of the PGNiG S.A.	20 013	-	4 269	-
Profit from operations (EBIT)	30 255	7 830	6 453	1 711
gain on bargain purchase of the Grupa LOTOS S.A. and of the PGNiG S.A.	*12 465*	-	*2 659*	-
Profit from operations adjusted for the gain on bargain purchase of the Grupa LOTOS S.A. and of the PGNiG S.A.	17 790	-	3 795	-
Profit before tax	31 154	9 899	6 645	2 163
Profit before tax adjusted for the gain on bargain purchase of the Grupa LOTOS S.A. and of the PGNiG S.A.	18 689	-	3 986	-
Net profit adjusted for the gain on bargain purchase of the Grupa LOTOS S.A. and of the PGNiG S.A.	15 160	-	3 234	-
Net profit	**27 625**	**8 398**	**5 892**	**1 835**
Total net comprehensive income	32 621	8 083	6 958	1 767
Net cash from operating activities	24 854	4 996	5 301	1 092
Net cash (used) in investing activities	(2 625)	(4 325)	(560)	(945)
Net cash from/(used in) financing activities	(15 807)	271	(3 371)	59
Net increase in cash	6 422	942	1 370	206
Net profit and diluted net profit per share (in PLN/EUR per share)	23.80	19.63	5.07	4.29

	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Non-current assets	107 684	44 309	22 961	9 634
Current assets	85 609	26 644	18 254	5 793
Total assets	**193 293**	**70 953**	**41 215**	**15 427**
Share capital	1 974	1 058	421	230
Total equity	**115 485**	**38 455**	**24 624**	**8 361**
Non-current liabilities	20 328	13 110	4 334	2 850
Current liabilities	57 480	19 388	12 257	4 216
Number of shares	1 160 942 049	427 709 061	1 160 942 049	427 709 061
Carrying amount and diluted carrying amount per share (in PLN/EUR per share)	99.48	89.91	21.21	19.55

The above financial data for the 12-month period of 2022 and 2021 was translated into EUR using the following exchange rates:

- items in the statement of profit or loss and other comprehensive income and the statement of cash flows - by the arithmetic average of average exchange rates quoted by the National Bank of Poland as of the last day of each month during the reporting period: from 1 January to 31 December 2022 – 4.6883 EUR/PLN and from 1 January to 31 December 2021 – 4.5775 EUR/PLN;
- items of assets, equity and liabilities – by the average exchange rate published by the National Bank of Poland as at 31 December 2022 – 4.6899 EUR/PLN and as at 31 December 2021 – 4.5994 EUR/PLN.

TABLE OF CONTENTS

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 12 AND 3-MONTH PERIOD ENDED 31 DECEMBER 2022

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

ORLEN ORLEN GROUP (in PLN million)

A. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

Consolidated statement of profit or loss and other comprehensive income

	NOTE	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Sales revenues		278 509	102 262	131 341	40 914
revenues from sales of finished goods and services		*231 422*	*86 421*	*103 415*	*32 996*
revenues from sales of merchandise and raw materials		*47 087*	*15 841*	*27 926*	*7 918*
Cost of sales	5.2	(226 455)	(85 542)	(110 789)	(35 568)
cost of finished goods and services sold		*(183 432)*	*(69 778)*	*(86 302)*	*(28 412)*
cost of merchandise and raw materials sold		*(43 023)*	*(15 764)*	*(24 487)*	*(7 156)*
Gross profit on sales		**52 054**	**16 720**	**20 552**	**5 346**
Distribution expenses		(11 116)	(3 286)	(8 507)	(2 425)
Administrative expenses		(3 545)	(1 262)	(2 615)	(688)
Other operating income, incl.:	5.5	18 960	10 829	7 911	3 863
gain on bargain purchase of the LOTOS Group and of the PGNiG Group	5.5	*14 017*	*8 193*	-	-
Other operating expenses	5.5	(12 768)	(3 304)	(3 998)	(1 289)
(Loss) due to impairment of trade receivables		(307)	(269)	(86)	(27)
Share in profit from investments accounted for using the equity method	5.7	283	3	613	225
Profit from operations		**43 561**	**19 431**	**13 870**	**5 005**
Finance income	5.6	2 264	1 004	789	318
Finance costs	5.6	(2 828)	(476)	(968)	(211)
Net finance income and costs		**(564)**	**528**	**(179)**	**107**
(Loss) due to impairment of loans and interest on trade receivables		(14)	(9)	(8)	(1)
Profit before tax		**42 983**	**19 950**	**13 683**	**5 111**
Tax expense		(7 525)	(3 670)	(2 495)	(967)
current tax		*(7 699)*	*(3 459)*	*(2 296)*	*(1 026)*
deferred tax		*174*	*(211)*	*(199)*	*59*
Net profit		**35 458**	**16 280**	**11 188**	**4 144**
Other comprehensive income:					
which will not be reclassified subsequently into profit or loss		**146**	**89**	**119**	**139**
fair value measurement of investment property as at the date of reclassification		*6*	*6*	*16*	*16*
actuarial gains and losses		*164*	*95*	*124*	*155*
gains and losses on investments in equity instruments at fair value through other comprehensive income		*10*	*9*	*6*	*(1)*
deferred tax		*(34)*	*(21)*	*(27)*	*(31)*
which will be reclassified into profit or loss		**6 082**	**4 542**	**353**	**(23)**
cash flow hedging instruments		*5 916*	*6 386*	*137*	*365*
hedging costs		*883*	*503*	*(650)*	*(689)*
exchange differences on translating foreign operations		*575*	*(1 036)*	*766*	*233*
share in other comprehensive income of investments accounted for using the equity method		*1*	*(1)*	*1*	*1*
deferred tax		*(1 293)*	*(1 310)*	*99*	*67*
		6 228	**4 631**	**472**	**116**
Total net comprehensive income		**41 686**	**20 911**	**11 660**	**4 260**
Net profit/(loss) attributable to		**35 458**	**16 280**	**11 188**	**4 144**
equity owners of the parent		*35 331*	*16 371*	*11 122*	*4 141*
non-controlling interest		*127*	*(91)*	*66*	*3*
Total net comprehensive income attributable to		**41 686**	**20 911**	**11 660**	**4 260**
equity owners of the parent		*41 556*	*21 004*	*11 587*	*4 246*
non-controlling interest		*130*	*(93)*	*73*	*14*
Net profit and diluted net profit per share attributable to equity owners of the parent (in PLN per share)		30.43	14.10	26.00	9.68

The accompanying notes disclosed on pages 10 – 62 are an integral part of these interim condensed consolidated financial statements.

ORLEN ORLEN GROUP (in PLN million)

Consolidated statement of financial position

	NOTE	31/12/2022 (unaudited)	31/12/2021
ASSETS			
Non-current assets			
Property, plant and equipment		121 586	55 379
Intangible assets and goodwill		10 878	4 829
Right-of-use asset		10 145	5 586
Investments accounted for using the equity method		3 429	1 125
Deferred tax assets		3 288	718
Derivatives	5.8	1 505	343
Other assets	5.8	4 077	726
		154 908	**68 706**
Current assets			
Inventories		44 779	18 410
Trade and other receivables		36 215	15 041
Current tax assets		1 693	129
Cash		21 403	2 896
Derivatives	5.8	3 354	1 149
Assets classified as held for sale		17	-
Other assets, incl.:	5.8	10 378	423
security deposits	5.8	*8 764*	*265*
financial assets measured at fair value through profit or loss	5.8	*285*	*-*
		117 839	**38 048**
Total assets		**272 747**	**106 754**
EQUITY AND LIABILITIES			
EQUITY			
Share capital		1 974	1 058
Share premium		46 405	1 227
Own shares		(2)	-
Hedging reserve		5 076	(430)
Revaluation reserve		(6)	(20)
Exchange differences on translating foreign operations		2 686	2 111
Retained earnings		81 730	47 761
Equity attributable to equity owners of the parent		**137 863**	**51 707**
Non-controlling interests		**996**	**871**
Total equity		**138 859**	**52 578**
LIABILITIES			
Non-current liabilities			
Loans, borrowings and bonds	5.7	11 973	13 742
Provisions	5.9	7 799	1 905
Deferred tax liabilities		7 532	2 060
Derivatives	5.8	4 613	705
Lease liabilities		8 842	4 876
Other liabilities	5.8	1 058	595
		41 817	**23 883**
Current liabilities			
Trade and other liabilities		40 014	19 811
Lease liabilities		1 309	679
Liabilities from contracts with customers		1 597	719
Loans, borrowings and bonds	5.7	7 223	1 429
Provisions	5.9	12 639	6 201
Current tax liabilities		14 624	855
Derivatives	5.8	12 839	461
Other liabilities	5.8	1 826	138
		92 071	**30 293**
Total liabilities		**133 888**	**54 176**
Total equity and liabilities		**272 747**	**106 754**

The accompanying notes disclosed on pages 10 – 62 are an integral part of these interim condensed consolidated financial statements.

ORLEN GROUP (in PLN million)

Consolidated statement of changes in equity

	Equity attributable to equity owners of the parent									
	Share capital	Share premium	Own shares	Hedging reserve	Revaluation reserve	Exchange differences on translating foreign operations	Retained earnings	Total	Non-controlling interests	Total equity
01/01/2022	1 058	1 227	-	(430)	(20)	2 111	47 761	51 707	871	52 578
Net profit	-	-	-	-	-	-	35 331	35 331	127	35 458
Components of other comprehensive income	-	-	-	5 506	14	575	130	6 225	3	6 228
Total net comprehensive income	**-**	**-**	**-**	**5 506**	**14**	**575**	**35 461**	**41 556**	**130**	**41 686**
Change in share structure	-	-	-	-	-	-	5	5	(5)	-
Dividends	-	-	-	-	-	-	(1 497)	(1 497)	(3)	(1 500)
Issue of merger shares	916	45 178	(2)	-	-	-	-	46 092	-	46 092
Other	-	-	-	-	-	-	-	-	3	3
31/12/2022	**1 974**	**46 405**	**(2)**	**5 076**	**(6)**	**2 686**	**81 730**	**137 863**	**996**	**138 859**
(unaudited)										
01/01/2021	1 058	1 227	-	(16)	(37)	1 328	38 036	41 596	793	42 389
Net profit	-	-	-	-	-	-	11 122	11 122	66	11 188
Components of other comprehensive income	-	-	-	(414)	17	766	96	465	7	472
Total net comprehensive income	**-**	**-**	**-**	**(414)**	**17**	**766**	**11 218**	**11 587**	**73**	**11 660**
Liquidation of company	-	-	-	-	-	17	-	17	(3)	14
Acquisition of company	-	-	-	-	-	-	-	-	9	9
Expiration of liabilities for payment of dividends to minority shareholders of ORLEN Unipetrol	-	-	-	-	-	-	4	4	-	4
Dividends	-	-	-	-	-	-	(1 497)	(1 497)	(1)	(1 498)
31/12/2021	**1 058**	**1 227**	**-**	**(430)**	**(20)**	**2 111**	**47 761**	**51 707**	**871**	**52 578**

The accompanying notes disclosed on pages 10 – 62 are an integral part of these interim condensed consolidated financial statements.

(in PLN million)

Consolidated statement of cash flows

	NOTE	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Cash flows from operating activities					
Profit before tax		**42 983**	**19 950**	**13 683**	**5 111**
Adjustments for:					
Share in profit from investments accounted for using the equity method		(283)	(3)	(613)	(225)
Depreciation and amortisation	5.2	6 894	2 529	5 341	1 408
Foreign exchange (profit)		(114)	(389)	(152)	(112)
Net interest		712	272	431	109
Dividends	5.6	(61)	-	(3)	-
(Profit) on investing activities, incl.:		(8 026)	(8 787)	(3 655)	(2 699)
recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets, goodwill and other assets		*3 387*	*447*	*(811)*	*(903)*
settlement and valuation of derivative financial instruments	5.5, 5.6	*3 035*	*(662)*	*(2 660)*	*(1 701)*
(gain) on bargain purchase of the LOTOS Group and PGNiG Group	5.5	*(14 017)*	*(8 193)*	*-*	*-*
Change in provisions		9 045	3 673	6 099	2 206
Change in working capital		(11 019)	(1 856)	(4 442)	(3 369)
inventories		*411*	*5 906*	*(5 769)*	*(2 178)*
receivables		*(55)*	*8 002*	*(3 790)*	*(378)*
Liabilities, incl.:		*(11 375)*	*(15 764)*	*5 117*	*(813)*
limitation period of liabilities towards minority shareholders of ORLEN UNIPETROL		*-*	*-*	*(180)*	*(360)*
Other adjustments, incl.:		(2 277)	975	(2 200)	(2 181)
settlement of received compensations to gas prices		*(3 941)*	*(3 941)*	*-*	*-*
settlement of grants for property rights		*(2 931)*	*(751)*	*(2 387)*	*(785)*
security deposits		*3 466*	*5 303*	*179*	*(1 296)*
Income tax (paid)		(4 950)	(3 193)	(1 194)	(214)
Net cash from operating activities		**32 904**	**13 171**	**13 295**	**34**
Cash flows from investing activities					
Acquisition of property, plant and equipment, intangible assets and right-of-use asset		(20 133)	(8 572)	(11 225)	(3 663)
Acquisition of shares lowered by cash		(920)	(711)	(772)	-
Proceeds from the sale of shares in connection with the implementation of REMEDIES and sale of 30% of shares in Rafineria Gdańska		4 579	4 579	-	-
Acquisition of financial assets in ORLEN VC		(72)	(37)	-	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset		71	11	95	27
Short-term deposits		(8)	41	62	28
Change in the ownership structure in Baltic Power		-	-	(35)	-
Dividends received		451	70	325	173
Proceeds/(Outflows) net cash from loans		27	27	2	1
Cash as at the date of establishing the joint operation in Rafineria Gdańska		375	375	-	-
Settlement of derivatives not designated as hedge accounting		(3 429)	(745)	1 784	2 482
Cash in the acquired LOTOS Group companies as at the merger date		4 350	-	-	-
Cash in the acquired PGNiG Group companies as at the merger date		12 778	12 778	-	-
Other		33	(11)	25	42
Net cash from/(used in) investing activities		**(1 898)**	**7 805**	**(9 739)**	**(910)**
Cash flows from financing activities					
Proceeds from loans and borrowings received		11 774	1 854	14 392	4 998
Bonds issued		-	-	3 225	-
Repayment of loans and borrowings		(22 373)	(12 618)	(14 705)	(4 171)
Redemption of bonds		(852)	(226)	(2 452)	-
Interest paid from loans, borrowings and bonds		(664)	(273)	(318)	(26)
Interest paid on lease		(211)	(68)	(151)	(32)
Dividends paid		(1 500)	(1 500)	(1 498)	-
Payments of liabilities under lease agreements		(892)	(275)	(701)	(163)
Grants received		1 633	1 575	243	154
Other		(74)	(34)	(41)	(3)
Net cash from/(used in) financing activities		**(13 159)**	**(11 565)**	**(2 006)**	**757**
Net increase/(decrease) in cash		**17 847**	**9 411**	**1 550**	**(119)**
Effect of changes in exchange rates		660	537	106	57
Cash, beginning of the period		2 896	11 455	1 240	2 958
Cash, end of the period		**21 403**	**21 403**	**2 896**	**2 896**
including restricted cash		*1 749*	*1 749*	*398*	*398*

The accompanying notes disclosed on pages 10 – 62 are an integral part of these interim condensed consolidated financial statements.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity of the ORLEN Group

The Parent Company of the Polski Koncern Naftowy ORLEN S.A. Capital Group is Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN", "Company", "Parent Company") with its headquarters in Płock, 7 Chemików Street.
The core business of the ORLEN Group is the processing of crude oil and the production of fuel, petrochemical and chemical products as well as their wholesale and retail sale and generates, distributes and trades of electricity and heat, incl. from renewable energy sources. The ORLEN Group also conducts exploration, recognition and extraction of hydrocarbons.
The activity of the ORLEN Group companies is also service-related activity: storage of crude oil and fuels, transportation, maintenance and overhaul services, laboratory, security, design, administrative, courier services, distribution of the press, insurance and financial services as well as media activities (newspapers and websites).

In connection with the mergers between PKN ORLEN with Polskie Górnictwo Naftowe i Gazownictwo S.A. as at the date of preparation of these interim condensed consolidated financial statements, the operations of the expanded ORLEN Group also included exploration and production of natural gas, import of natural gas, as well as storage, sale and distribution of gas and liquid fuels. Additional information on mergers is included in notes 3.4.

2. Information on principles adopted in the preparation of the interim condensed consolidated financial statements

2.1. Statement of compliance and general principles of preparation

These interim condensed consolidated financial statements ("consolidated financial statements") were prepared in accordance with requirements of IAS 34 "Interim financial reporting" and in the scope required by the Minister of Finance Regulation of 29 March 2018 on current and periodical information to be published by issuers of securities and conditions of consideration of information required by the law of non-member country's law as equal (Official Journal 2018, item 757) and present the Polski Koncern Naftowy ORLEN S.A. Capital Group's ("Group", "ORLEN Group") financial position as at 31 December 2022 and as at 31 December 2021, financial results and cash flows for the 12 and 3-month period ended 31 December 2022 and 31 December 2021.

These interim condensed consolidated financial statements were prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. As at the date of approval of these interim condensed consolidated financial statements there is no evidence indicating that the Group will not be able to continue its operations as a going concern.

As part of the assessment of the Group's ability to continue as a going concern, the Management Board analysed the existing risks, both financial and operational, and in particular assessed the impact of the ongoing armed conflict in Ukraine and the related changes in the macroeconomic situation in Europe and around the world as well as sanctions imposed on Russia for the Group's operations, as described in more detail in note 3.1.

The Parent Company and the entities comprising the ORLEN Group have unlimited period of operations.

These interim condensed consolidated financial statements, except for the consolidated statement of cash flows, were prepared using the accrual basis of accounting.

2.2. Accounting principles and amendments to International Financial Reporting Standards (IFRS)

2.2.1. Accounting principles

In these interim condensed consolidated financial statements, the significant accounting policies applied by the Group and significant values based on judgments and estimates were the same as described in individual explanatory notes in the Consolidated Financial Statements for 2021.

2.2.2. Restated of comparative data

The following events had an impact on the comparative data presented in these interim consolidated financial statements in relation to the Consolidated Quarterly Report for the 4th quarter of 2021:

- in the 3-month period ended 31 December of 2021, as a result of the change in the presentation of transaction differences related to the settlement of derivatives with the ICE exchange introduced at the end of 2021, reclassification between:
  a) other operating expenses and financial income in the amount of PLN 416 million;
  b) other operating income and financial expenses in the amount of PLN (379) million;

The table below shows the impact of the above changes on the comparative data.

	3 MONTHS ENDED 31/12/2021 (unaudited)	Change in presentation of transaction differences related to the settlement of derivatives with ICE stock exchange	3 MONTHS ENDED 31/12/2021 (unaudited)
Gross profit on sales	**5 346**	**-**	**5 346**
Other operating income	3 484	379	3 863
Other operating expenses	(873)	(416)	(1 289)
Profit from operations	**5 042**	**(37)**	**5 005**
Finance income	(98)	416	318
Finance costs	168	(379)	(211)
Net finance income and costs	**70**	**37**	**107**
Profit before tax	**5 111**	**-**	**5 111**
Net profit	**4 144**	**-**	**4 144**

2.3. Functional currency and presentation currency of financial statements and methods applied to translation of financial statements of foreign entities

2.3.1. Functional currency and presentation currency

The functional currency of the Parent Company and presentation currency of these interim condensed consolidated financial statements is Polish Zloty (PLN). Possible differences in the amount of PLN 1 million when summing up the items presented in the explanatory notes result from the adopted rounding's. The data in consolidated financial statements is presented in PLN million, unless otherwise stated.

2.3.2. Methods applied to translation of financial data

Translation into PLN of financial statements of foreign entities, for consolidation purposes:

– particular assets and liabilities – at spot exchange rate as at the end of the reporting period,
– items of the statement of profit or loss and other comprehensive income and the statement of cash flows - at the average exchange rate for the reporting period (arithmetic average of daily average exchange rates published by the National Bank of Poland in a given period).

Foreign exchange differences resulting from the above recalculations are recognised in equity in the line exchange differences on translating foreign operations.

CURRENCY	Average exchange rate for the reporting period				Exchange rate as at the end of the reporting period	
	12 MONTHS ENDED 31/12/2022	3 MONTHS ENDED 31/12/2022	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021	31/12/2022	31/12/2021
EUR/PLN	4.6855	4.7286	4.5660	4.6205	4.6899	4.5994
USD/PLN	4.4569	4.6391	3.8615	4.0413	4.4018	4.0600
CZK/PLN	0.1908	0.1939	0.1780	0.1820	0.1942	0.1850
CAD/PLN	3.4233	3.4156	3.0800	3.2060	3.2486	3.1920
NOK/PLN	0.4640	0.4547	-	-	0.4461	-

2.4. Information concerning the seasonal or cyclical character of the ORLEN Group's operations in the presented period

Sales and distribution of natural gas and production, sales and distribution electricity and heat during the year are subject to seasonal fluctuations. The volume of natural gas and energy sold and distributed, and consequently sales revenues, increases in the winter months and decreases in the summer months. This depends on the ambient temperature and day length. The range of these fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of this part of revenues applies to a much greater degree to individual customers than to the production/industrial sector clients.
In the 12-month period ended 31 December 2022 there is no significant seasonality or cyclicality of operations in the other segments of the ORLEN Group.

3. Financial situation and the organization of the ORLEN Group

3.1. Impact of the military conflict in Ukraine on Group's operating and financing activities

The outbreak of the war in Ukraine significantly deepened the shortages of natural gas, hard coal, crude oil and liquid fuels that appeared on the global markets of these commodities already at the beginning of the 4th quarter of 2021. Subsequent sanctions imposed on the import of hydrocarbons from Russia resulted in the initial period an intensive increase in the prices of crude oil and petroleum products. The prices of gas and electricity also rose. At the same time, in the 12-month period of 2022, there was a very high volatility in the quotations of CO_2 emission allowances.

Since the beginning of the war the Group observed also an increase in refining margins caused mainly by the insufficient supply of fuels in relation to the demand, resulting from the structural shortage of refining capacities in the world, strongly reduced after the outbreak of the pandemic.
Dynamic changes in the macroeconomic environment and regulatory changes led to the weakening of the PLN currency in the 12-month period of 2022 and thus affected on the valuation and settlement of derivative instruments owned by the Group throughout the presented period.
In the Group's opinion, the ongoing conflict in Ukraine will continue to affect the macroeconomic situation in Poland and in the world and will cause volatility in the prices of refining and petrochemical products and raw materials, including oil and gas, energy and CO_2 emission allowances and currency quotations, with the direction of impact on margins currently difficult to define. As a consequence, this may lead to a further increase in inflation and interest rates, which will translate into the economic situation in the countries in which the Group operates, including slowdown in economic growth or even a recession. On the other hand, the scale and impact of the war in Ukraine on the macroeconomic situation and, consequently, the future financial situation of the Group, its operating activities, as well as its future financial results are currently very difficult to estimate. This impact will depend both on the implementation of possible scenarios for the further course of the war in Ukraine, as well as on the actions that will be taken by the governments of other countries, including the maintenance or imposition of new sanctions on Russia, as well as the continuation of restrictions in trade relations with Russia and possibly countries supporting its military operations in Ukraine. Introduce sanctions or take other measures that significantly reduce the availability of oil from Russia may have a negative effect on the Group's operating activities and financial results.
The description of the Group's achievements and factors having a significant impact on the financial data presented by the Group as at 31 December of 2022 is presented in note 3.2.
So far, there have been no disruptions in the operational processes carried out within the Group, and there were no significant restrictions on the availability of raw materials, including crude oil, in any of the Group's operating areas. Terminals, storage depots and refineries in ORLEN Group operate in the same scope, and fuel deliveries to all filling stations are carried out all the time. The Group believes that it has adequate stocks of raw materials, including crude oil and fuels to ensure the continuity of production processes. In addition, the Group secured additional supplies of crude oil from alternative sources in the event of REBCO oil availability constraints as a result of sanctions for the war in Ukraine. The Company monitors and forecasts the level of crude oil operating reserves on an ongoing basis and verifies the assumptions for the operational plan in a horizon of up to 3 months. Based on the contracted supply volumes and planned processing levels, purchasing decisions are made to ensure the continuity of production processes with the assumed structure of the raw material in subsequent periods and maintaining the security of product supply.
The Company is also subject to numerous obligations resulting from the Act of 16 February 2007 on stocks of crude oil, petroleum products and natural gas and the rules of conduct in situations of threat to the fuel security of the state and disturbances on the oil market and fully meets the requirements regarding mandatory stocks of crude oil and fuels. The volumes of mandatory stocks are controlled by national regulatory authorities and may be placed on the market (or processed into products in the case of crude oil) only in response to supply shortages/disruptions or market crises, pursuant to a government decision/authorisation or as a result of a stock release decision by the International Energy Agency (IEA).
In connection with the merger of PKN ORLEN and PGNiG on 2 November 2022, PKN ORLEN as PGNiG's legal successor, monitors the situation regarding the implementation of natural gas supplies to the Polish transmission system on an ongoing basis. The Company started the heating season with natural gas storage in Poland in full nominal capacity of available installations. Thanks to the reserved transmission capacity, PKN ORLEN can supply natural gas from various directions, including the LNG Terminal in Świnoujście, Lithuania, as well as via the Baltic Pipe gas pipeline. An important source of natural gas is also extraction from domestic deposits. Depending on the balancing needs, the ORLEN Group makes reservations for additional transmission capacities on interconnectors and supplementary gas purchases.
As at the date of preparation of these interim condensed consolidated financial statements, gas transmission both to the Company's customers and to the ORLEN Group complies with the reported demand. In addition, from the end of 2021, PKN ORLEN additionally implemented technological measures to reduce the dependence of the main plant in Płock on the availability of natural gas. In addition, through membership and active participation on the Polish Power Exchange and the possession of a portfolio of OTC contracts, the Company has a wide range of purchasing alternatives.
In connection with the ongoing war in Ukraine, the Group has developed appropriate contingency plans in the event of cyber attacks, the need to introduce immediate changes in the supply chain, and in the event of a threat to the lives of employees of the Group's companies in the event of expansion of military operations to the territories of other countries. Additionally, procedures in the event of emergency situations have been developed to ensure the continuity of the critical infrastructure.
The Group has sufficient financial resources to enable it to settle its current liabilities and to continue planned investment and acquisition projects.
Moreover, the Group constantly adjusting its derivative transactions portfolio to the changing market conditions in order to reduce their negative impact on the liquidity situation and the Group's results.
In the opinion of the Group, the ongoing conflict in Ukraine does not change the risk with regard to the guarantees issued as at 31 December 2022. The Group has made a detailed analysis of sales on the Ukrainian and Russian markets. Based on the analysis, due to the low volume of sales in these countries (less than 2% share in the Group's sales revenues) and insignificant

balance of receivables from entities based in these countries as at the balance sheet date, the Group did not find a significant increase in the risk of defaults on receivables disclosed on the 31 December 2022.
Moreover, in connection with the ongoing war in Ukraine, the ORLEN Group companies were actively involved in pro-social activities in helping both refugees coming to Poland from across the eastern border and people fighting in Ukraine.
The Group monitors the developments in Ukraine on an ongoing basis and adjusts its activities to the changing market conditions. Nevertheless, in the event of a protracted armed conflict in Ukraine and the implementation of negative scenarios of the war impact on the global economic situation, it may also have a negative impact on the Group's operations, both in terms of organization and liquidity.
On the basis of the analysis of the potential impact of changes in the macroeconomic situation in Europe and the world caused by the armed conflict in Ukraine and the sanctions imposed on Russia as at 31 December 2022, the Group has not identified any indications that it might not continue as a going concern. As at 31 December 2022, the Group is in the process of performing impairment tests for non-current assets. Additional information is presented in note 5.4.

3.2. Group achievements and factors that have a significant impact on the interim condensed consolidated financial statements

Profit or loss for the 12 months of 2022

Sales revenues of the ORLEN Group for the 12 months of 2022 amounted to PLN 278,509 million and was higher by PLN 147,168 million (y/y). The increase of sales revenues (y/y) reflects higher by 18% volume sales in tonnes in all operating segments and the inclusion in 2022 as part of the new gas segment volumes sales of natural gas in the amount of 109.6 TWh and CNG gas in the amount of 4.7 million m3. The increase in volumes results mainly from the recognition in consolidation companies from the former LOTOS Group and former PGNiG Group.

Additionally, the level of revenues was affected by the 43% (y/y) increase in crude oil prices and consequently, also the quotations of the main products. In the 12-month period of 2022 in comparison to the same period of 2021 the prices of the fuel increased by 53%, diesel oil by 81%, light heating oil by 76%, aviation fuel by 80%, heavy heating oil by 25%, ethylene by 28% and propylene by 28%.

The operating expenses totally increased by PLN (119,205) million (y/y) to PLN (241,116) million, mainly s a result of including the costs of the companies of the former LOTOS Group in the amount of PLN (19,522) million and former PGNiG Group in the amount of PLN (34,027) million and an increase in the prices of basic raw materials and energy as a result of the ongoing Russian-Ukrainian war.

The result of other operating activities amounted to PLN 6,192 million and was higher by PLN 2,279 million (y/y) mainly due to recognition of a provisional gain on a bargain purchase of the LOTOS Group and the PGNiG Group in total amount of PLN 14,017 million, the value of which may change as a result of the fair value measurement of individual acquired assets and liabilities of the LOTOS Group and PGNiG Group as part of the merger settlement process using the acquisition method in accordance with IFRS 3 (additional information in note 3.4.), the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN (5,914) million and the recognition of net impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets in the amount of PLN (3,387) million and recognition in other operating costs the result on the sale of 30% of shares in Rafineria Gdańska in the mount of PLN (519) million.

As a result, profit from operations amounted to PLN 43,561 million and was higher by PLN 29,691 million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance expenses in the described period amounted to PLN (564) million and included mainly net foreign exchange loss in the amount of PLN (711) million, net interest expenses in the amount of PLN (504) million and settlement and valuation of derivative financial instruments in the amount of PLN 513 million.

After the deduction of tax charges in the amount of PLN (7,525) million, the net profit of the ORLEN Group for the 12 months of 2022 amounted to PLN 35,458 million and was higher by PLN 24,270 million (y/y).

Profit or loss for the 4th quarter of 2022

Sales revenues of the ORLEN Group in the 4th quarter of 2022 amounted to PLN 102,262 million and were higher by PLN 61,348 million (y/y). The increase in sales revenues (y/y) reflects higher by 29% sales volume in tonnes (increase mainly in the refining, upstream and gas segment, with a decrease in petrochemicals and retail) and recognition in 2022 of natural gas volume sales of 109.6 TWh and CNG gas of 4.7 million m3 as part of the new gas segment volumes sales. The increase in volumes results mainly from the recognition in consolidation companies from the former LOTOS Group and former PGNiG Group.

Additionally, the level of revenues was affected by the 11% (y/y) increase in crude oil prices and consequently, also the quotations of the main products. In the 4th quarter of 2022 in comparison to the same period of 2021 the prices of the fuel increased by 18%, diesel oil by 53%, light heating oil by 41%, aviation fuel by 44% and ethylene by 3%.

Total operating expenses increased by PLN (51,409) million (y/y) to PLN (90,090) million mainly as a result of the higher cost of materials and energy consumption by 138% (y/y) as a result of rising crude oil prices, natural gas and electricity, as well as of including the costs of the companies of the former LOTOS Group and former PGNiG Group in the consolidation in the amount of PLN (11,064) million and PLN (17,358) million, respectively.

The result of other operating activities amounted to PLN 7,525 million and was higher by PLN 4,951 million (y/y) mainly as a result of the recognition of a provisional gain on a bargain purchase of PGNiG Group in the amount of PLN 8,193 million, net positions of settlement and valuation of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) in the amount of PLN (981) million and recognition in other operating costs the result on the sale of 30% of shares in Rafineria Gdańska in the mount of PLN (519) million.

As a result, profit from operations amounted to PLN 19,431 million and was higher by PLN 14,426 million (y/y). An additional comment regarding the main reasons of the change in profit from operations increased by depreciation and amortisation (so-called EBITDA) is presented in point B1.

Net finance revenues in the described period amounted to PLN 528 million and included mainly net foreign exchange gain in the amount of PLN 468 million, net interest expenses in the amount of PLN (157) million and net positive impact of settlement and valuation of derivative financial instruments in the amount of PLN 112 million.

After the deduction of tax charges in the amount of PLN (3,670) million, the net profit of the ORLEN Group amounted to PLN 16,280 million and was higher by PLN 12,136 million (y/y).

Statement of financial position

As at 31 December 2022, the total assets of the ORLEN Group amounted to PLN 272,747 million and was higher by PLN 165,993 million in comparison with 31 December 2021.

As at 31 December 2022, the value of non-current assets amounted to PLN 154,908 million and was higher by PLN 86,202 million in comparison with the end of the previous year, mainly due to increase in property, plant and equipment and intangible assets and right-of-use assets by PLN 76,815 million mainly due to takeover of control of non-current assets of former LOTOS Group and former PGNiG Group in the amount of PLN 59,059 million (additional information in note 3.4) and other assets by PLN 3,351 million, mainly due to restricted funds accumulated on separate accounts in connection with securing future costs of decommissioning mines and deposits and advances for construction in progress.

The change in balance of property, plant and equipment and intangible assets by PLN 72,256 million (y/y) comprised:

- investment expenditures in the amount of PLN 17,616 million including development of fertilizer production capacities in Anwil, construction of the Visbreaking and HVO (Hydrotreated Vegetable Oil) Installation in Płock, construction of the Bioetanol 2nd Gen installation in ORLEN Południe, construction of the new hydrocracking in Lithuania, expenditure of the production capacity of the Olefin installation in Płock, projects in the Energy segment related mainly to the modernization of existing assets and the connection of new customers, construction of CCGT Ostrołęka and projects in Retail and Upstream segment;
- depreciation and amortisation in the amount of PLN (6,092) million;
- purchase of CO_2 allowances and energy certificates in the amount of PLN 6,442 million;
- amortisation of CO_2 allowances and energy certificates in the amount of PLN (6,127) million;
- allowances received free of charge in the amount of PLN 3,397 million;
- recognition of net impairment allowances on assets mainly in the Refinery segment in the amount of PLN (3,387) million;
- effect of recognition of new assets at the date of acquisition of former LOTOS Group and former PGNiG Group in the amount of PLN 4,167 million and 51,305 million, respectively;
- effect of differences in balance on translating foreign operations in the amount of PLN 308 million.

Increase in the balance of right-of-use assets by PLN 4,559 million results mainly from the taking control of companies from the former LOTOS Group and former PGNiG Group in the amount of PLN 686 million and PLN 2,901 million.

The value of current assets as at 31 December 2022 increased by PLN 79,791 million in comparison with the end of the previous year, mainly as an increase:

- in inventories by PLN 26,369 million,
- trade and other receivables by PLN 21,174 million,
- balance of cash by PLN 18,507 million,
- other assets by PLN 9,955 million, which mainly related to the increase in margin deposits by PLN 8,499 million due to hedging transactions concluded on commodity exchanges (detailed information in note 5.8). The increase in the balance of margin deposits results mainly from the consolidation of deposits of the former PGNiG Group.

The increase in value of inventories is the result of an increase in crude oil and petroleum product prices and the recognition of the former LOTOS Group and former PGNiG Group inventories in consolidation. The increase in trade receivables results mainly from higher sales in term of value and quantity and the recognition of the former LOTOS Group and former PGNiG Group receivables in consolidation.

As at 31 December 2022, total equity amounted to PLN 138,859 million and was higher by PLN 86,281 million in comparison with the end of 2021, mainly due to recognition of net profit for the 12 months of 2022 in the amount of PLN 35,458 million, recognition of the recognition of the issue of merger shares created for the purposes of the merger with LOTOS Group and PGNiG Group in the amount of PLN 46,146 million decreased by the costs related to the issue of shares in the amount of PLN 52 million, impact of the change in hedging reserve in the amount of PLN 5,506 million, the impact of exchange differences on translating foreign operations in the amount of PLN 575 million dividends paid to PKN ORLEN's shareholder from previous years' profits in the amount of PLN (1,497) million

The value of trade and other liabilities increased by PLN 20,203 million compared to the end of 2021 mainly due to increase of trade liabilities by PLN 8,167 million, tax liabilities by PLN 2,046 million and investment liabilities by PLN 3,268 million and other liabilities in the amount of PLN 5,568 million elating mainly to the unfulfilled obligation towards GAZPROM in connection with the issuance of the Decree on a special procedure for the performance of foreign buyers' obligations towards Russian suppliers of natural gas in Russia on 31 March 2022 and the decision of the Minister of the Interior and Administration in Poland on 28 September 2022 and, as a consequence, blocking by GAZPROM the possibility of making payments by the Company according to the existing rules specified in the contract.
The increase in trade liabilities results from the higher prices on the markets and the recognition of the former LOTOS Group and former PGNiG Group liabilities in consolidation.

Value of provisions as at 31 December 2022 amounted to PLN 20,438 million and was higher by PLN 12,332 million in comparison to the end of 2021. The increase resulted mainly from:

- the recognition in the statement of financial position of the ORLEN Group provisions due to merger with LOTOS Group and PGNiG Group in the total amount of PLN 8,128 million (mainly environmental, property rights, jubilee bonuses and post-employment benefits and other provisions relating to disputes);
- the recognition of a provision for the onerous contract in the ENERGA Group in the amount of PLN 924 million in connection with the introduction of the act on freezing energy prices from 2023;
- settlement of the balance of the net provision for estimated CO_2 emissions and energy certificates in the total amount of PLN 2,149 million, mainly as a result of net creation of provisions in the amount of PLN 8,276 million based on the weighted average price of allowances and certificates held and their use due to redemption of rights for 2021 in the amount of PLN (6,127) million.

Value of the net deferred tax liabilities increased by (2,902) million compared to the end of 2021 and resulted mainly from the acquisition of net deferred tax liabilities of the former LOTOS Group and former PGNiG Group in the amount of PLN (1,649) million and the recognition in the 2nd and 4th quarter of 2022 deferred tax asset from the impairment of refining and upstream assets in the amount of PLN 397 million and 153 million, respectively.

Derivatives non-current and current as at 31 December 2022 amounted to PLN 17,452 million and were higher by PLN 16,286 million, mainly due to the recognition of cash flow hedging instruments and derivatives not designated as hedge accounting in the amounts of PLN 12,141 million and PLN 4,137 million, respectively. The increase results mainly from the recognition of commodity swaps of PGNiG S.A. natural gas hedges: derivatives not designated as hedge accounting in the amount of PLN 3,003 million and cash flow hedges in the amount of PLN 12,325 million due to the merger with the PGNiG Group.

Other short-term liabilities were higher by PLN 1,688 million in comparison to the end of 2021 and amounted to PLN 1,826 million, mainly due the value of which to be settled as at 31 December 2022 amounted to PLN 1,439 million and deferred income in the amount of PLN 249 million.

As at 31 December 2022, net financial indebtedness of the ORLEN Group amounted to PLN (2,296) million and was lower by PLN (14,571) million in comparison with the end of 2021 mainly due to the net outflows, including inflows and repayments of loans, and borrowings and redemption of bonds in the amount of PLN (11,451) million, an increase in balance of cash by PLN (18,507) million, short-term deposits in the amount of PLN (86) million and the net effect of valuation and revaluation of debt due to foreign exchange differences in the total amount of PLN 802 million and recognition of the debt resulting from the merger with LOTOS Group and PGNiG Group in the amount of PLN 14,671 million.

Statement of cash flows for the 12 months of 2022

Proceeds of net cash from operating activities for the 12 months of 2022 amounted to PLN 32,904 million and comprised mainly result from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 50,455 million adjusted by:

- the negative impact of increase in a net working capital by PLN (11,019) million mainly related to increase in crude oil prices and prices of products, which translated into the value of inventories, receivables and liabilities, decreased by paid income taxes in the amount of PLN (4,950) million,
- gain on investing activities in the amount of PLN (8,026) million mainly related to recognition of a gain on a bargain purchase of LOTOS Group and PGNiG Group in the total amount of PLN (14,017) million, settlement and valuation of derivative financial instruments in the amount of PLN 3,035 million and recognition mainly in 2nd and 4th quarter of 2022 of net impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets in the amount of PLN 3,387 million,
- change in provisions in the amount of PLN 9,045 million mainly as a result of creation of provision for CO_2 emission,
- other adjustments in the amount of PLN (2,277) million related mainly to security deposits for the settlement of transactions with the commodity markets in the amount of PLN 3,466 million, settlement of grants for property rights in the amount of PLN (2,931) million and settlement of received compensations to gas prices in the amount of PLN (3,941) million,
- share in profit from investments accounted for using the equity method in the amount of PLN (283) million,

Net cash used in investing activities for the 12 months of 2022 amounted to PLN (1,898) million and comprised mainly net cash flows for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (20,062) million, cash in the acquired companies of the former LOTOS Group and former PGNiG Group at the time of the merger in the amount of PLN 17,128 million, proceeds from the sale of shares in connection with the implementation of REMEDIES and sale of 30% of shares in Rafineria Gdańska in the amount PLN 4,579 million and settlement of derivatives not designated as hedge accounting in the amount of PLN (3,429) million.

Net cash flows used in financing activities for the 12 months of 2022 amounted to PLN (13,159) million and comprised mainly the net repayment of loans and borrowings in the amount of PLN (10,599) million, C and D series bond redemption in the amount of PLN (852) million under the second public retail bond issue program, dividends paid to PKN ORLEN's shareholder in the amount of PLN (1,497) million interest paid in the amount of PLN (875) million and liabilities under lease agreements in the amount of PLN (892) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 12-month period of 2022 increased by PLN 18,507 million and as at 31 December 2022 amounted to PLN 21,403 million.

Statement of cash flows for the 4th quarter of 2022

In the 4th quarter of 2022 the net cash from operating activities amounted to PLN 13,171 million and comprised mainly of profit from operations increased by depreciation and amortisation (EBITDA) in the amount of PLN 21,960 million and the negative impact of increase in a net working capital by PLN (1,856) million, paid income tax in the amount of PLN (3,193) million, profit on investing activities in the amount of PLN (8,787) million mainly related to recognition of a gain on a bargain purchase of PGNiG Group and changes in the value of the provisional profit recognized in 3rd quarter on a bargain purchase of the LOTOS Group in connection with the ongoing purchase price allocation process in the amount of PLN (8,193) million and settlement and valuation of derivative financial instruments in the amount of PLN (662) million and change in provisions in the amount of PLN 3,673 million and other adjustments in the amount of PLN 975 million related mainly to security deposits for the settlement of transactions with the commodity markets in the amount of PLN 5,303 million, settlement of grants for property rights in the amount of PLN (751) million and settlement of received compensations to gas prices in the amount of PLN (3,941) million,

In the 4th quarter of 2022 the net cash from investing activities amounted to PLN 7,805 million and comprised mainly of net expenses for the acquisition and disposal of property, plant and equipment, intangible assets and right-of-use asset in the amount of PLN (8,561) million, cash in the acquired companies of the former PGNiG Group at the time of the merger in the amount of PLN 12,778 million, proceeds from the sale of shares in connection with the implementation of REMEDIES and sale of 30% of shares in Rafineria Gdańska in the amount PLN 4,579 million and settlement of derivatives not designated as hedge accounting in the amount of PLN (745) million.

In the 4th quarter of 2022 net expenses of cash used in financing activities amounted to PLN (11,565) million and comprised mainly the net repayment of loans and borrowings in the amount of PLN (10,764) million, payments of liabilities under lease agreements in the amount of PLN (275) million, interest paid in the amount of PLN (341) million and redemption of bonds in the amount of PLN (226) million.

Following inclusion of the revaluation of cash due to exchange differences, the cash balance in the 4th quarter of 2022 increased by PLN 9,948 million and as at 31 December 2022 amounted to PLN 21,403 million.

Factors and events which may influence future results

The key factors that will affect future financial results of the ORLEN Group include:

- the impact of the war in Ukraine (sanctions on the crude oil, petroleum products and restrictions on natural gas supplies to Europe) on the deepening of natural gas, diesel oil, crude oil and coal shortages in global markets and their market prices,
- impact of the geopolitical situation on the global economy and energy markets,
- impact of the COVID-19 pandemic in China on the global economy and energy markets,
- inflation and market interest rates persisting at a high level,
- a significant decrease in the global GDP growth rate and the risk of recession,
- the depth and pace of reduction of the global demand for energy carriers,
- EU's climate policy and prices of rights and CO_2 emissions allowances,
- administrative interventions on international and domestic fuel markets and electricity (price caps, taxation of windfall profits, tariff policy of the President of the Energy Regulatory Office),
- increase in operating costs and investment financing related to inflation, geopolitical risk and regulatory risk,
- availability of production installations,
- applicable legal regulations,
- investments in development projects of the ORLEN Group,
- synergies resulting from the finalization of the Grupa LOTOS and PGNiG acquisition

3.3. Description of the organization of the ORLEN Group

As at 31 December 2022, the ORLEN Group included PKN ORLEN as the Parent Company and entities located in Poland, Germany, the Czech Republic, Lithuania, Malta, Sweden, Slovakia, Hungary, Norway, Cyprus, Estonia, Switzerland, United Kingdom, United Arab Emirates, Libya, Pakistan, Netherlands, Belgium, Austria, France, Croatia, Ireland, Colombia, Tanzania, Mozambique, Ukraine, Latvia, Canada and China.

PKN ORLEN as the Parent Company is a multi-segment entity, appropriately allocated to all operating segments and corporate functions. As of 2 November 2022, as a result of the merger with the PGNiG Group, the Group has identified a new operating segment, Gas.

ORLEN GROUP - CONSOLIDATION SCHEME AS AT 31 12 2022

REFINING SEGMENT

- ORLEN Lietuva Group 100%
- ORLEN Asfalt Group 100 %
- ORLEN Południe Group 100%
- ORLEN UNIPETROL Group 100%
- ORLEN Oil Sp. z o.o. 100%
- IKS SOLINO S.A. 100%
- ORLEN Paliwa Sp. z o.o. 100%
- ORLEN Aviation Sp. z o.o. 100%
- ORLEN Transport Sp. z o.o. 100%
- ORLEN KolTrans S.A. 100%
- ORLEN International Trading (SUZHOU) Co., Ltd. 100%
- ORLEN Serwis Group 100%
- ORLEN Eko Group 100%
- Kopalnia Soli Lubień Sp. z o.o. 100%
- LOTOS Oil Sp. z o.o. 100%
- Rafineria Gdańska Sp. z o.o. 70%
- LOTOS Kolej Sp. z o.o. 100%
- LOTOS Serwis Sp. z o.o. 100%
- LOTOS SPV 3 Sp. z o.o. 100%
- LOTOS SPV 4 Sp. z o.o. 100%
- LOTOS SPV 6 Sp. z o.o. 100%
- ORLEN Trading Switzerland GmbH 100%

ENERGY SEGMENT

- ENERGA Group 90,92%
- ORLEN Południe Group 100%
- ANWIL S.A. 100%
- ORLEN Lietuva Group 100%
- ORLEN UNIPETROL Group 100%
- ORLEN Neptun I Group 100%
- ORLEN Wind 3 Group 100%
- ORLEN Energia Sp. z o.o. 100%
- LOTOS Green H2 Sp. z o.o. 100%
- PGNiG TERMIKA Group 100%
- SOLGEN Sp. z o.o. 60%

UPSTREAM SEGMENT

- ORLEN Upstream Group 100%
- LOTOS Upstream Group 100%
- LOTOS Petrobaltic Group 99,99%
- Exalo Drilling Group 100%
- GEOFIZYKA Toruń S.A. 100%
- PGNiG Technologie S.A. 100%
- PGNiG Upstream North Africa B.V. 100%
- PGNiG Upstream Norway A.S. 100%
- PGNiG SPV 7 Sp. z o.o. 100%
- LLC "Karpatgazvydobuvannya" 85%

RETAIL SEGMENT

- ORLEN UNIPETROL Group 100%
- ORLEN Deutschland Group 100%
- ORLEN Centrum Serwisowe Sp. z o.o. 100%
- ORLEN Budonaft Sp. z o.o. 100%
- AB ORLEN Baltics Retail 100%
- RUCH Group 65%
- LOTOS SPV 5 Sp. z o.o. 100%

PETROCHEMICAL SEGMENT

- ORLEN UNIPETROL Group 100%
- ORLEN Lietuva Group 100%
- ANWIL S.A. 100%
- ORLEN Olefiny Sp. z o.o. 100%

GAS SEGMENT

- Polska Spółka Gazownictwa Group 100%
- Gas Storage Poland Group 100%
- PGNiG Supply & Trading GmbH Group 100%
- PGNiG Obrót Detaliczny Sp. z o.o. 100%
- PGNiG SPV 6 Sp. z o.o. 100%
- PGNiG Upstream Polska Sp. z o.o. 100%
- PGNiG SPV 9 Sp. z o.o. 100%
- PGNiG SPV 10 Sp. z o.o. 100%
- PGNiG GAZOPROJEKT S.A. 95,17 %
- GAS -TRADING Group 79,58%
- Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych Group 100%

CORPORATE FUNCTIONS

- ORLEN Laboratorium S.A. 100%
- ORLEN Centrum Usług Korporacyjnych Group 100%
- ORLEN UNIPETROL Group 100%
- ORLEN Holding Malta Group 100%
- ORLEN Capital AB 100%
- ORLEN Usługi Finansowe Sp. z o.o. 100%
- Sigma BIS S.A. 66%
- ORLEN Lietuva Group 100%
- ORLEN Administracja Sp. z o.o. 100%
- Polska Press Group 100%
- ORLEN Projekt S.A. 100%
- LOTOS Straż Sp. z o.o. 100%
- LOTOS Ochrona Sp. z o.o. 100%
- LOTOS Lab Sp. z o.o. 100%
- ORLEN Ochrona Group 100%
- PGNiG Serwis Group 100%
- PGNiG Ventures Sp. z o.o 100%
- ORLEN VC sp. z o.o. 100%

(hatched) companies not consolidated using the full method due to their immateriality

(in PLN million)

The list of entities included in the lower-level Capital Groups presented in the consolidation diagram

Name of the Capital Group/Company	
Refining Segment	
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
SIA ORLEN Latvija	100%
OU ORLEN Eesti	100%
UAB ORLEN Mockavos terminalas	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN UNIPETROL Slovakia s.r.o.	100%
ORLEN UNIPETROL Doprava s.r.o.	100%
ORLEN UNIPETROL Hungary Kft.	100%
Petrotrans s.r.o.	100%
Paramo a.s.	100%
ORLEN Południe Group	
ORLEN Południe S.A.	100%
Konsorcjum Olejów Przepracowanych - Organizacja Odzysku Opakowań i Olejów S.A.	90%
ORLEN Asfalt Group	
ORLEN Asfalt Sp. z o.o.	100%
ORLEN Asfalt Ceska Republika s.r.o.	100%
ORLEN Serwis Group	
ORLEN Serwis S.A.	100%
UAB ORLEN Service Lietuva	100%
ORLEN Service Česká Republika s.r.o.	100%
ORLEN Eko Group	
ORLEN Eko Sp. z o.o.	100%
ORLEN EkoUtylizacja Sp. z o.o.	100%
Retail Segment	
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
Normbenz Magyarország Kft	100%
ORLEN Deutschland Group	
ORLEN Deutschland GmbH	100%
ORLEN Detuschland Betriebsgesellschaft mbH	100%
RUCH Group	
RUCH S.A.	65%
RUCH MARKETING Sp. z o.o	100%
FINCORES BUSINESS SOLUTIONS Sp. z o.o.	100%
RUCH NIERUCHOMOŚCI V Sp. z o.o.	100%
Upstream Segment	
ORLEN Upstream Group	
ORLEN Upstream Sp. z o.o.	100%
ORLEN Upstream Canada Ltd.	100%
KCK Atlantic Holdings Ltd.	100%
LOTOS Upstream Group	
LOTOS Upstream Sp. z o.o.	100%
LOTOS Exploration and Production Norge AS	100%
AB LOTOS Geonafta	100%
UAB Genciu Nafta	100%
UAB Manifoldas	100%
LOTOS Petrobaltic Group	
LOTOS Petrobaltic S.A.	99.99%
Energobaltic Sp. z o.o.	100%
B8 Sp. z o.o.	100%
B8 Sp. z o.o. BALTIC S.K.A.	100%
Miliana Shipholding Company Ltd.	100%
Miliana Shipmanagement Ltd.	100%
Bazalt Navigation Company Ltd.	100%
Granit Navigation Company Ltd.	100%
Kambr Navigation Company Ltd.	100%
St. Barbara Navigation Company Ltd.	100%
Petro Icarus Company Ltd.	100%
Petro Aphrodite Company Ltd.	100%
Technical Ship Management Sp. z o.o.	100%
SPV Baltic Sp. z o.o.	100%
SPV Petro Sp. z o.o.	100%
Grupa Exalo Drilling	
Exalo Drilling S.A.	100%
Zakład Gospodarki Mieszkaniowej sp. z o.o.	100%
„EXALO DRILLING UKRAINE" LLC	100%
Oil Tech International F.Z.E.	100%
Exalo Diament Sp. z o.o.	100%

Name of the Capital Group/Company	
Energy Segment	
ENERGA Group	
Energa S.A.	90.92%
Energa-Operator S.A.	100%
Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	100%
Energa-Obrót S.A.	100%
Energa Green Development Sp. z o.o.	100%
Enspirion Sp. z o.o.	100%
Energa Oświetlenie Sp. z o.o.	100%
Energa Wytwarzanie S.A.	100%
Energa Elektrownie Ostrołęka S.A.	89.64%
Energa Serwis Sp. z o.o.	100%
ECARB Sp. z o.o.	100%
ENERGA MFW 1 Sp. z o.o.	100%
ENERGA MFW 2 Sp. z o.o.	100%
Energa Kogeneracja Sp. z o.o.	35.41%
Energa LBW 1 sp. z o.o.	100%
CCGT Grudziądz Sp. z o.o.	100%
CCGT Gdańsk Sp. z o.o.	100%
Energa Finance AB	100%
Energa Informatyka i Technologie Sp. z o.o.	100%
Energa Logistyka Sp. z o.o.	100%
Energa Invest Sp. z o.o.	100%
Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	100%
Energa Kogeneracja Sp. z o.o.	64.59%
Energa Ciepło Ostrołęka Sp. z o.o.	100%
Energa Ciepło Kaliskie Sp. z o.o.	91.24%
CCGT Ostrołęka Sp. z o.o.	100%
ORLEN Południe Group	
ORLEN Południe S.A.	100%
Energomedia Sp. z o.o.	100%
Bioenergy Project Sp. z o.o.	100%
CHP Energia Sp. z o.o.	100%
Bioutil Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN Wind 3 Group	
ORLEN Wind 3 Sp. z o.o.	100%
Livingstone Sp. z o.o.	100%
Nowotna Farma Wiatrowa sp. z o.o.	100%
ORLEN Neptun I Group	
ORLEN Neptun I Sp. z o.o.	100%
ORLEN Neptun II Sp. z o.o.	100%
ORLEN Neptun III Sp. z o.o.	100%
ORLEN Neptun IV Sp. z o.o.	100%
ORLEN Neptun V Sp. z o.o.	100%
ORLEN Neptun VI Sp. z o.o.	100%
ORLEN Neptun VII Sp. z o.o.	100%
ORLEN Neptun VIII Sp. z o.o.	100%
ORLEN Neptun IX Sp. z o.o.	100%
ORLEN Neptun X Sp. z o.o.	100%
ORLEN Neptun XI Sp. z o.o.	100%
PGNiG TERMIKA Group	
PGNiG TERMIKA S.A.	100%
PGNiG TERMIKA Energetyka Rozproszona sp. z o.o.	100%
PGNiG TERMIKA Energetyka Przemyśl sp. z o.o.	100%
PGNiG TERMIKA Energetyka Przemysłowa S.A.	100%
PGNiG TERMIKA Energetyka Przemysłowa - Technika Sp. z o.o.	100%
Zakład Separacji Popiołów Siekierki Sp. z o.o.	70%
Petrochemical Segment	
ORLEN UNIPETROL Group	
ORLEN UNIPETROL RPA s.r.o.	100%
ORLEN UNIPETROL Deutschland GmbH	100%
Spolana s.r.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%

(in PLN million)

Name of the Capital Group/Company	
Gas Segment	
Polska Spółka Gazownictwa Group	
Polska Spółka Gazownictwa Sp. z o.o.	100%
PSG Inwestycje Sp. z o.o.	100%
Gaz Sp. z o.o.	100%
Gas Storage Poland Group	
Gas Storage Poland Sp. z o.o.	100%
Ośrodek Badawczo-Rozwojowy Górnictwa Surowców Chemicznych CHEMKOP Sp. z o.o.	92,82%
PGNiG Supply & Trading GmbH Group	
PGNiG Supply & Trading GmbH	100%
PGNiG Supply&Trading Polska Sp. z o.o.	100%
PST LNG TRADING LIMITED	100%
PST LNG SHIPPING LIMITED	100%
GAS -TRADING Group	
GAS - TRADING S.A.	79.58%
Gas-Trading Podkarpacie sp. z o.o.	78.82%
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych Group	
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych	100%
Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie	100%

Name of the Capital Group/Company	
Corporate Functions	
ORLEN Ochrona Group	
ORLEN Ochrona Sp. z o.o.	100%
ORLEN Apsauga UAB	100%
ORLEN Centrum Usług Korporacyjnych Group	
ORLEN Centrum Usług Korporacyjnych Sp. z o.o.	100%
Energa Centrum Usług Wspólnych Sp. z o.o.	100%
ORLEN UNIPETROL Group	
ORLEN UNIPETROL, a.s.	100%
ORLEN UniCRE a.s.	100%
ORLEN UNIPETROL RPA s.r.o.	100%
HC Verva Litvinov a.s.	70.95%
ORLEN Holding Malta Group	
ORLEN Holding Malta Ltd.	100%
Orlen Insurance Ltd.	100%
Polska Press Group	
Polska Press Sp. z o.o.	100%
Pro Media Sp. z o.o.	53%
PL24 Sp. z o.o.	100%
ORLEN Lietuva Group	
AB ORLEN Lietuva	100%
PGNiG Serwis Group	
PGNiG Serwis Sp. z o.o.	100%
Polskie Centrum Brokerskie sp. z o.o.	100%

companies not consolidated using the full method due to their immateriality

Changes in the structure of the ORLEN Group from 1 January 2022 up to the date of preparation of this report

- on 17 February 2022, the name of the company was changed from UAB Mockavos terminalas to UAB ORLEN Mockavos terminalas;
- on 7 March 2022, through the S24 system, Polska Press Sp. z o.o. acquired 100% of shares in a limited liability in PL24 Sp. z o.o.;
- on 10 March 2022, the Extraordinary Meeting of Shareholders of PL24 Sp. z o.o. adopted a resolution on increasing the company's share capital. As a result of the capital increase, 950 shares were created, and all newly created shares were acquired by Polska Press Sp. z o.o.
- on 15 March 2022, an Extraordinary General Meeting of ORLEN Południe S.A was held, regarding the consent to the increase of the share capital of ORLEN Południe S.A. All new shares were acquired by PKN ORLEN. On 6 June 2022, an increase in the share capital of ORLEN Południe S.A. was registered;
- on 17 March 2022, the transfer of ownership of 10 registered shares in the share capital of Konsorcjum Olejów Przepracowanych - Organizacja Odzysku Opakowań i Olejów S.A. of shares was made to ORLEN Południe S.A, as a result of which the share of ORLEN Południe S.A. in the share capital of the Konsorcjum Olejów Przepracowanych - Organizacja Odzysku Opakowań i Olejów Spółka Akcyjna increased to 90%;
- on 18 March 2022, the Extraordinary General Meeting of Shareholders of CCGT Ostrołęka Sp. z o.o. which adopted a resolution on increasing the share capital of CCGT Ostrołęka Sp. z o.o. All new shares were acquired by PKN ORLEN, which made a cash contribution of PLN 193 million. On 14 April 2022, there was increase in the share capital of CCGT Ostrołęka Sp. z o.o.;
- on 5 April 2022, a resolution was adopted to increase the share capital of ORLEN Neptun I sp.z o.o.;
- on 5 May 2022, the Extraordinary General Meeting of ORLEN Neptun I sp.z o.o. adopted a resolution on making an in-kind contribution in the form of shares owned by PKN ORLEN and representing 100% of the share capital of ORLEN Neptun II - ORLEN Neptun XI. In connection with the above, ORLEN Neptun I sp.z o.o. has its own capital group, which includes 10 ORLEN Neptun companies, II-XI. Thus, ORLEN Neptun II-XI companies no longer report directly to PKN ORLEN.
- on 12 May 2022, the share in ECARB Sp. z o. o. between companies of the ENERGA Group was sold. Currently, the owner is Energa Wytwarzanie S.A (formerly ENERGA OZE S.A.), which acquired the share from ENERGA S.A;
- on 19 May 2022, the Extraordinary Meeting of Shareholders of CCGT Grudziądz Sp. z o.o. adopted a resolution on increasing the share capital;
- on 25 May 2022, a change of name from ENERGA OZE S.A. to ENERGA Wytwarzanie S.A was registered in the National Court Register;
- on 26 May 2022, a new company was established in the ENERGA Group in the Wytwarzanie Business Line - Energa LBW 1 Sp. z o.o.;
- on 27 May 2022, an increase in the share capital of ORLEN Neptun I sp.z o.o. was registered;
- on 2 June 2022, a resolution was adopted to increase the share capital of CCGT Ostrołęka Sp. z o.o. by PLN 254 million. On 26 July 2022, the share capital increase was registered with the National Court Register. After registration, the share of PKN ORLEN in the share capital of CCGT Ostrołęka Sp. z o.o. is 49.99%;
- on 7 June 2022, the Ordinary General Meeting of Sigma BIS adopted a Resolution on increasing the share capital by issuing series C shares, which will be covered by a cash contribution. The payment for the new issue shares was made by contractual deductions with the liabilities due to the PKN ORLEN and PZU S.A from the Company under the loan agreement

concluded between Sigma BIS S.A., PKN ORLEN and PZU S.A. On 8 July 2022, the increase in the share capital of Sigma BIS was registered;

- on 28 June 2022, ENERGA Kogeneracja Sp. z o.o. acquired shares in ENERGA Ciepło Ostrołęka Sp. z o.o;
- on 29 June 2022, ENERGA Elektrownie Ostrołęka S.A. acquired shares in ENERGA Serwis Sp. z o.o. .;
- on 19 July 2022, the share capital of Bioenergy Project sp.z o.o. was increased. The increase was made by converting the debt into the share capital of Bioenergy Project sp.z o.o., as a result of which ORLEN Południe S.A. took up 2,500 new shares in the share capital of Bioenergy Project sp. z o.o.;
- on 1 August 2022, a merger PKN ORLEN with Grupa LOTOS took place and the acquisition of companies from the former Grupa LOTOS, which at the time of the merger became part of the ORLEN Group, i.e: LOTOS Oil Sp. z o.o., LOTOS Asfalt Sp. z o.o, LOTOS Kolej Sp. z o.o., LOTOS Serwis Sp. z o.o., LOTOS Petrobaltic Group, LOTOS Upstream Group, LOTOS SPV 3 Sp. z o.o., LOTOS SPV 4 Sp. z o.o., LOTOS SPV 5 Sp. z o.o. , LOTOS SPV 6 Sp. z o.o., LOTOS Green H2 Sp. z o.o., LOTOS Lab Sp. z o.o., LOTOS Ochrona Sp. z o.o., LOTOS Straż Sp. z o.o More information in note 3.4.1;
- on 19 August 2022, a new company was established: ORLEN Trading Switzerland GmbH with its headquarters in Switzerland. The company was registered on 24 August 2022;
- on 22 August 2022, the Extraordinary Meeting of Shareholders of CCGT Ostrołęka Sp. z o.o., which adopted a resolution on making additional payments from the Shareholders. Additional payment by PKN ORLEN in the amount of PLN 139 million was contributed on 26 August 2022;
- on 30 August 2022, the National Court Register registered an increase in the share capital of CCGT Grudziądz Sp. z o.o.;
- on 8 September 2022, the National Court Register registered an increase in the share capital of Energa MFW 2 Sp. z o.o.;
- on 16 September 2022 the change of the owner of ECARB Sp. z o.o. from Energa Wytwarzanie S.A. for ENERGA Elektrownie Ostrołęka S.A., took place;
- on 21 September 2022, the National Court Register registered an increase in the share capital of CCGT Grudziądz Sp. z o.o.;
- on 24 October 2022, an agreement was concluded with ORLEN Unipetrol a.s. on voluntary contribution to the non-share capital of ORLEN Unipetrol a.s. in the amount of EUR 229 million;
- on 2 November 2022, a merger of PKN ORLEN with PGNiG S.A., took place and the acquisition of companies from the former PGNIG Group, which at the time of the merger became part of the ORLEN Group, i.e: Exalo Drilling Group, Gas Storage Poland Group, GEOFIZYKA Toruń S.A., PGNiG Obrót Detaliczny Group, PGNiG Serwis Group, PGNiG Supply & Trading Group, PGNiG Technologie Group, PGNiG TERMIKA Group, PGNiG Upstream North Africa B.V., PGNiG Upstream Norway AS, Polska Spółka Gazownictwa Group, Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych Group, PGNiG GAZOPROJEKT S.A., Gas-Trading S.A,Group, PGNiG SPV6 Sp. z o.o., PGNiG SPV7 Sp. z o.o., PGNiG Upstream Polska Sp. z o.o., PGNiG SPV9 Sp. z o.o., PGNiG SPV10 Sp. z o.o., LLC Karpatgazvydobuvannya, Solgen Sp. z o.o. More information in note 3.4.2,
- on 21 November 2022, the Extraordinary General Meeting of Shareholders of ORLEN Energia Sp. z o.o. was held, which adopted a resolution to increase the share capital of the company. All new shares are intended to be acquired in their entirety by the current sole shareholder of the company, ie PKN ORLEN. The increase was registered in the National Court Register on 25 November 2022;
- on 21 November 2022, an Extraordinary General Meeting of Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych na Życie was held, during which the share capital was increased by PLN 25 million. All new shares in the increased capital were acquired by Polski Gaz Towarzystwo Ubezpieczeń Wzajemnych and covered with cash. The increase was registered in the National Court Register on 13 December 2022.;
- on 21 November 2022 was held an Extraordinary General Meeting of Shareholders of PGNiG TERMIKA Energetyka Rozproszona Sp. z o. o. on increasing the Company's share capital and amending the Company's Articles of Association. At the same time, a contribution-in-kind agreement was signed with PGNiG TERMIKA, under which the ownership of movable fixed assets and other movables, proprietary copyrights and rights to outlays incurred for the construction of buildings and structures forming part of the Przemyśl Power Plant and the gas pipeline, which are components of the Power Plant Przemyśl and the gas pipeline. The increase was registered in the National Court Register on 23 January 2023.
- on 30 November 2022, PKN ORLEN signed with Aramco Overseas Company B.V. the promised agreement for the sale to Aramco of 30% of shares in Rafineria Gdańska Sp. z o. o. As a consequence, the Group recognized in other operating activities the result on the sale of shares in Rafineria Gdańska in the amount of PLN (519) million, which is the difference between the value of 30% of net assets as at the transaction date and the value of the payment received from Aramco. The investment in Rafineria Gdańska maintained after the transaction is recognized by the Group as a joint operation. More information in note 3.5.
- on 1 December 2022, ORLEN Unipetrol RPA s.r.o. acquired 100% of shares in Normbenz Magyarország Kft with its registered office in Budapest. More information in note 3.4.3;
- on 12 December 2022, a resolution was adopted by the Extraordinary General Meeting of ORLEN Neptun I on increasing the share capital on the basis of the existing provisions of the Company's Founding Deed. The increase was registered in the National Court Register on 30 January 2023;
- on 20 December 2022, the increase in the share capital of PGNiG Venutres Sp. z o.o. was registered in the National Court Register;
- on 21 December 2022, a resolution was adopted by the Extraordinary General Meeting of CCGT Grudziądz Sp. z o. o. on increasing the share capital of the company. The increase was registered in the National Court Register on 19 January 2023;

- on 30 December 2022, a change in the name of PGNiG SPV 8 sp. z o.o. was registered with the National Court Register on PGNiG Upstream Polska Sp. z o. o. and an increase in the company's share capital;
- on 2 January 2023 ORLEN Unipetrol RPA s.r.o. acquired 100% of shares in REMAQ s.r.o. (REMAQ) with its headquarters in Otrokovice, Czech Republic. REMAQ is a leading company in the region of Central and Eastern Europe, focusing its core activity on chemical and mechanical recycling activities. Additional information about the acquisition in note 5.19.

Changes in the Group structure are an element of the ORLEN Group strategy, assuming the development of a strong and diversified multi-energy concern, a focus on core activities and allocating capital for the development of the Group in the most prospective areas and creating an integrated multi-energy concern.

3.4. Settlement of acquisition of shares in accordance with IFRS 3 Business Combinations

3.4.1. Settlement of acquisition of Grupa LOTOS shares in accordance with IFRS 3 Business Combinations

On 1 August 2022, the District Court for Łódź-Śródmieście in Łódź, XX Commercial Division of the National Court Register, registered the merger of PKN ORLEN with Grupa LOTOS S.A. ("Grupa LOTOS"), ("Merger") and amendments to the Articles of Association of PKN ORLEN adopted by the Extraordinary General Meeting of PKN ORLEN on 21 July 2022, including the increase of the Company's share capital and changes in the composition of the Supervisory Board and the Management Board of the Company.

The merger took place pursuant to Article 492 § 1(1) of the Code of Commercial Companies, therefore, on 1 August 2022, i.e. on the date of recorder in the business register of the National Court Register by the district court, PKN ORLEN took over all the assets of Grupa LOTOS and, subject to exceptions resulting from legal regulations, entered into all rights and obligations of LOTOS Group under universal succession. In particular, as of the Merger date, the permits, concessions and licenses granted to LOTOS Group were transferred to the Company, unless a relevant act of law or decision awarding a specific permit, concession, license or exemption provide otherwise. At the same time, the share capital of the Company was increased by issuing shares, issued by the Company to Grupa LOTOS' shareholders ("Merger Shares").

Share capital was increased from PLN 534,636,326.25 to the amount of PLN 783,059,906.25 by issuing 198,738,864 E series ordinary bearer shares with the nominal value of PLN 1.25 each, with the aggregate nominal value of PLN 248,423,580. Shareholders of Grupa LOTOS will be allotted Merger Shares: in accordance with the agreed share swap ratio, under which the shareholders of Grupa LOTOS received 1.075 PKN ORLEN shares (Merger Shares) for 1 share of Grupa LOTOS.

Due to the fact that the number of allotted shares had to be a natural number, in exchange for non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ratio, the shareholders of Grupa LOTOS received appropriate additional payments in cash.

Reasons and strategic goals for the Merger

LOTOS Group, which was taken over by PKN ORLEN as part of the Merger, was the second largest oil company in Poland, dealing in the extraction and processing of crude oil as well as wholesale and retail sale of petroleum products. Grupa LOTOS was a producer and supplier of, among others, unleaded petrol, diesel fuel, heating diesel oil (light fuel oil), aviation fuel and heavy fuel oil. The corporation also specializes in the production and sale of lubricating oils and asphalts. The companies from the former LOTOS Group, which at the time of the Merger became part of the ORLEN Group, are involved in the extraction of hydrocarbons in the Polish Exclusive Economic Zone of the Baltic Sea, as well as conducting exploration and production works in the field of exploitation of crude oil fields within the area of the Norwegian Continental Shelf and on the territory of Lithuania.

The merger transaction with Grupa LOTOS is the next step in the ORLEN Group's strategy of building a strong and diversified multi-energy corporation, capable of confronting energy transition, assuming a gradual abandonment of hydrocarbons and conventional fuels in favour of new and more sustainable energy sources. The merged corporation will have greater opportunities to diversify its business and compete against the leading actors in the European and global market, as well as implementing investments supporting the corporation's efforts to achieve operating excellence in the existing areas of its operations, including oil extraction and refinery production. By 2030, the ORLEN Group is to become one of the largest integrated producers of petrochemicals in Europe. What is more, in response to the challenges of transformation, the corporation plans to invest significant funds in the development of plastics recycling technologies. In addition, through the merger, the ORLEN Group implements its strategic goals aimed at maintaining and strengthening its position as a regional leader in the retail sector, with more than 3,500 petrol stations in 7 Central and Eastern European markets, with an extensive network of electric vehicle charges. At the same time, the merged corporation will have the scale of operations and means necessary to develop in the most innovative and often not yet commercialised areas such as the hydrogen technologies. Here the competence and assets of Grupa LOTOS would be of key importance. As a result, the completed merger with Grupa LOTOS and the related initiatives will contribute to increasing energy security both of Poland and the entire region, which is of crucial importance given the current geopolitical context.

Meeting the required conditions for the merger

Key conditions that had to be met in order to complete the merger with Grupa LOTOS S.A. were as follows:

1. adopt relevant merger resolutions by Grupa LOTOS' General Meeting of containing, in particular, consent to the Merger Plan and approve the proposed amendments to PKN ORLEN's Statutes in connection with the merger - adopted on 20 July 2022;

2. adopt relevant merger resolutions by the PKN ORLEN's General Meeting, including in particular, the increase of the PKN ORLEN's share capital in connection with the Merger, on establishing consolidated text of Statues inclusive of the amendments made in connection with the Merger, as an amendment to the Statues, and on the consent to admit and introduce the merger shares to be traded in the regulated market – adopted on 21 July 2022;
3. compliance with the requirements set out in the European Commission's Decision of 14 July 2020 and implementation of Remedies for divestment and performance of part of the behavioural obligations (remaining part of obligations is extended over time in the post-Merger period) - described below;
4. obtaining the approval of the Council of Ministers of the Republic of Poland for the Merger as required by Article 13(5) in conjunction with Article 13(1)(9) and 13(1)(23) of the Act of the Management of State Assets- the Council of Ministers approved on 19 July 2022;
5. no objection being raised by the supervising authority with regard to the secondary acquisition by the State Treasury of a major stake in the Acquiring. Company- the decision regarding the lack of objection was issued on 27 June 2022.

<u>Compliance of the requirements set out in the European Commission's Decision and implementation of Remedies</u>

On 27 February 2018, a letter of intent was signed between the Company and the State Treasury on concentration between the Company and Grupa LOTOS. Carrying out a concentration in accordance with the applicable regulations required the consent of the European Commission. As a result of the proceeding, on 14 July 2020, the European Commission issued a positive conditional decision on the Concentration pursuant to Art. 8 sec. 2, second paragraph of Council Regulation (EC) No. 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EC Merger Regulation) (Journal of Laws of the EU. L No. 24, p. 1). In connection with the above, the Company was obliged to implement the Remedies specified in the decision in order to prevent the occurrence of negative effects of the planned concentration on competition in the relevant markets. Remedies included commitments of structural and behavioural nature, relating to the structure and policy of the companies participating in the concentration - PKN ORLEN and Grupa LOTOS, including commitments to conclude agreements also covering divestments of assets in following areas: (i) fuel production and wholesale operations; (ii) fuel logistics; (iii) retail activity; (iv) aviation fuel activities; (v) biofuel production and (vi) asphalt market. Remedies were found to be an integral part of the decision and a necessary condition for the concentration. To implement them, the Company and Grupa LOTOS entered into a number of preliminary or conditional agreements obliging the Company and Grupa LOTOS to make certain divestments ,which were approved by European Commission on 20 June 2022, thus allowing for finalization of the merger with Grupa LOTOS. Implementation of the Remedies, including the conclusion of final contracts with individual buyers and, depending on the case, the entry into force of conditional contracts were to take place within 6 months from the day of their approval by European Commission.

As at the date of preparation of these interim condensed consolidated financial statements, Remedial Measures were implemented with respect to fuel production and wholesale operations; retail business; aviation fuel business; and the production of biofuels:

In order to implement Remedies in fuels production market and fuels wholesales market area following agreements were concluded by the Company on 30 November 2022 with:

1. Aramco Overseas Company B.V. („Aramco") promised sale contract for Aramco 100% of shares in LOTOS SPV 1 Sp. z o.o. ("LOTOS SPV 1"), to which as a result of division of LOTOS Paliwa Sp. z o.o. ("LOTOS Paliwa") on 31 October 2022 an organized part of the enterprise of this company, covering the activity in the field of wholesale fuel sales, was contributed, for a price consisting of a fixed element in the amount of approx. PLN 1 billion and a variable element, depending on the amount of net debt and working capital of LOTOS SPV 1 on the day of signing of promised contract;
2. Aramco promised sale contract for Aramco 30% of shares in Rafineria Gdańska Sp. z o.o. ("Rafineria Gdańska"), to which the Gdańsk refinery ("Refinery") was contributed in kind, for price, consisting of a fixed element in amount of approx. PLN 1.15 billion and a variable element, dependant on the amount of net debt and working capital of Rafineria Gdańska on the day of signing of promised agreement. Additional information in note 3.5.
3. Aramco i Rafineria Gdańsk joint venture agreement ("JV Agreement") specifying the terms of cooperation of partners in Rafineria Gdańska, including the corporate governance adopted therein and the powers granted to them;
4. LOTOS SPV 1 and Rafineria Gdańsk processing agreement ("Processing Agreement"), which will apply during the term of JV Contract. On the basis of Processing Agreement, Rafineria Gdańska will render services for PKN ORLEN and LOTOS SPV 1 ("Processors") related to with the processing of raw materials supplied by the Processors for the purpose of obtaining refinery products for Processors. Each of the Processors will own the raw materials it supplies and the refinery products obtained from these raw materials;
5. LOTOS SPV 1 and Rafineria Gdańska Offtake Agreement, which will apply during the term of JV Contract. On the basis of Offtake Agreement LOTOS SPV 1 will be entitled, but not obliged, to purchase certain amounts of diesel oil and unleaded gasoline from the Company each year (the "Products");
6. LOTOS SPV 1 a framework agreement specifying the terms and conditions of maintaining by the Company on commission LOTOS SPV 1 mandatory stocks of crude oil, applicable in the period of 10 years from the date of its entry into force;
7. LOTOS SPV 1 framework agreement specifying the terms and conditions of the Company's commissioned services by LOTOS SPV 1 railway logistics outsourcing services, valid during the term of the Processing Agreement and the Offtake Agreement.

As part of the implementation of Remedial Measures in the area of the biofuels market on 3 October 2022, the Group signed 100% share sale agreement in LOTOS Biopaliwa to Rossi Biofuel Zrt. The 100% share sale agreement in LOTOS Biopaliwa is accompanied by 4 year contract, which was entered into by PKN ORLEN for purchase of biocomponents produced in Czechowice-Dziedzice.

In order to implement Remedies in retail fuel market area on 30 November 2022, the Company signed with:

1. MOL Hungarian Oil and Gas Public Limited Company („MOL") promised sales contract for MOL 100% shares in LOTOS Paliwa, for price, consisting of a fixed element of approximately USD 610 million and a variable element dependent on the amount of net debt and working capital of LOTOS Paliwa on the date on which the promised contract was signed.
2. LOTOS Paliwa a contract for the sale of fuels to this company, valid for a period of up to 8 years from the date of its entry into force.
3. LOTOS Paliwa license agreement specifying the terms of use by LOTOS Paliwa of trademarks used at LOTOS stations for the purposes of their rebranding after the acquisition of shares in LOTOS Paliwa by MOL, in force for a period of 5 years from the date of its entry into force.

In addition, on 2 November 2022 was registered division of LOTOS Paliwa, as a result of which, to LOTOS SPV5 Sp. z o.o. an organized part of the enterprise was contributed in the form of part of the service stations not covered by the Remedies.

In order to implement Remedies in aviation fuels market area on 30 November 2022 the Company signed with Aramco promised sale contract for Aramco all shares held by the Company in LOTOS-Air BP Polska sp. z o.o. („LOTOS-Air BP"). In connection with the above, all the conditions for the entry into force of the agreements concluded between the Company and LOTOS-Air BP on 12 January 2022, i.e.:

1. conditional sales contract for LOTOS-Air BP aviation fuels, in force for a period of up to 15 years from the date of its entry into force;
2. conditional aviation fuel composition agreement LOTOS-Air BP at the Company's fuel terminal, valid for a period of up to 15 years from the date of its entry into force;
3. conditional agreement for operational support services in the event of force majeure between PKN ORLEN, ORLEN Aviation and LOTOS-Air BP valid for a period of up to 15 years from the date of its entry into force.

As at the date of preparation of these interim condensed consolidated financial statements, the Remedies with regard to the fuel logistics market and the asphalt market have not yet been fully implemented.

In order to implement Remedies in fuels logistics market area following agreements, the following events took place:

1.On 1 December 2022, PKN ORLEN and LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") with the participation of Unimot S.A concluded an agreement on the Transfer of an Organized Part of the Enterprise under which PKN ORLEN contributed in kind to LOTOS Terminale four fuel depots located in Gdańsk, Szczecin, Gutków and Bolesławiec.

2. On the same day, an agreement was concluded between PKN ORLEN, Unimot S.A. and Lotos Terminale regarding the provision of real estate and settlement of expenditures related to the implementation of investments in the construction of a fuel depot in Szczecin.

As at the date of preparation of these interim condensed consolidated financial statements, the following agreements have not yet been finalized:

– preliminary agreement on the sale of 100% of shares in LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") between Grupa LOTOS and Unimot Investments spółka z ograniczoną odpowiedzialnością ("Unimot Investments"),
– conditional fuels depot agreement between PKN ORLEN and Unimot Investments, which allows PKN ORLEN to use the warehouses in fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec after the shares in LOTOS Terminale are disposed to Unimot Investments, concluded for a period of 10 years starting from the date of its entry into force;

In order to implement Remedies in bitumen market area the following events took place:

1. On 2 November 2022 division was registered of Rafineria Gdańska Sp. z o.o. (formerely LOTOS Asfalt) as result of which, to company LOTOS SPV2 Sp. z o.o. an organized part of the enterprise in the form of the Rafineria Gdańska sp. z o.o. company's Bitumen Business was contributed. In addition, the name of the company was changed from LOTOS SPV 2 to Uni - Bitumen Sp. z o.o. On 15 November 2022 PKN ORLEN signed a contribution-in-kind agreement based on which shares in Uni-Bitumen Sp. z o.o. have been contributed to LOTOS Terminale, resulting in the company LOTOS Terminale became the owner of 100% of the company's shares.

As at the date of preparation of these interim condensed consolidated financial statements, the following agreements have not yet been finalized:

– preliminary agreement on sales of 100% of shares in LOTOS Terminale, between the Company and Unimot Investments.
– conditional bitumen sales agreement between Grupa LOTOS, PKN ORLEN and Unimot Investments, which will be concluded for a period of 10 years from its entry into force with option to extend this period by another two 5 years periods on terms previously agreed between parties.

PKN ORLEN cooperates with Unimot Investments in order to complete the transaction related to the acquisition of Lotos Terminale shares as quickly as possible. At the moment, the Company has the consent of the European Commission to extend the deadline for implementation of the so far unfulfilled Remedies.

Pursuant to the obligations resulting from the decision of the European Commission of 14 July 2020, a number of protective mechanisms were introduced in relation to the divested activities (excluding the sold activities including shares in Rafineria Gdańska) to separate the activities of the companies covered by the Remedial Measures from other activities of the ORLEN Group, which were expected to function until the final disposal of these investments. In particular, the protection mechanisms included, among others::

– obligation to maintain the divested activities in a non-deteriorated condition,
– obligation to separate the activities of the divested companies from other activities of the ORLEN Group,
– obligation to limit the flow of confidential information related to the Divested Activities.

The Group conducted a detailed analysis of the facts and circumstances related to the functioning of the above-mentioned protective mechanisms in order to determine whether the criteria for exercising control specified in IFRS 10 are met. Based on its professional judgment, the Group assessed that as at the merger date it does not control the companies that will be subject to divestment as part of the implementation of the Remedies, with the exception of Rafineria Gdańska, to which the above mechanisms did not apply. As a result, on the day of merger, the Group classified investments in LOTOS Terminale S.A., LOTOS Infrastruktura S.A., RCEkoenergia Sp. z o.o., LOTOS SPV 2 Sp. z o.o., LOTOS Paliwa sp.z o.o., LOTOS SPV 1 Sp. z o.o., LOTOS Biopaliwa sp.z o.o., LOTOS-Air BP Polska Sp. z o.o., as financial assets measured at fair value through profit or loss in accordance with IFRS 9 and were presented in position of other assets..

In addition, on the day of merger, the Group analysed the classification of the group of assets of Rafineria Gdańska Sp. z o.o. relating to the refining and bitumen (asphalt) activities as held for sale in accordance with IFRS 5. The groups of assets relating to the refining and asphalt activities were acquired by the Group solely for the purpose of sale as part of Remedial Measures, will be sold within 1 year and will be ready for sale in the short term following the acquisition date (slightly more than 3 months from the merger date).

Thus, the Group assessed that, as at the merger date, they meet the criteria to be recognised as held for sale in accordance with IFRS 5. Refining activity after the sale of 30% of shares in Rafineria Gdańska Sp. z o. o. to Aramco will be covered by a joint venture agreement between PKN ORLEN and Aramco and Rafineria Gdańska and, based on a separate analysis, the Group assessed that, as a consequence, the investment in Rafineria Gdańska maintained after the transaction will be recognised as a joint operation. Addittional information in note 3.5.

Additional agreements in connection with the Merger

PKN ORLEN concluded a conditional framework sales agreement with MOL ("Framework Agreement") as a result of which companies belonging to the ORLEN Capital Group will purchase from MOL to 144 fuel stations located in Hungary and to 41 fuel stations located in Slovakia for the total price not exceeding EUR 229 million ("Transactions"). The price is subject to be corrected as of the Transaction settlement day due to changes in the level of net debt and working capital of the acquiring assets in relation to their reference values. On 1 December 2022 as part of the implementation of the above agreements ORLEN Unipetrol RPA, concluded with MOL Hungarian Oil and Gas Public Limited Company purchase agreement of 100% of shares in Normbenz Magyarország Kft, being owner of 79 petrol stations located in Hungary. More information in note 3.4.3.

Additionally PKN ORLEN concluded with Saudi Arabian Oil Company a long term agreement on crude oil deliveries to the ORLEN Capital Group companies. On the base of the agreement, after the merger PKN ORLEN will secure deliveries of the crude oil from Saudi Arabian Oil Company to ORLEN Group in the amount from 200 to 337 thousand barrels daily.

PKN ORLEN also concluded with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a memorandum of understanding on cooperation to analyse, prepare and realize common investments in petrochemical segment. As potential areas of cooperation will be analysed, among others, development projects in olefins and olefin derivatives, including aroma derivatives, in Poland and in Central and Eastern Europe.

PKN ORLEN also signed with Saudi Arabian Oil Company a memorandum of understanding on cooperation for the common analyses, preparation and realization of research and development projects, as well within the sustainable development technology.

Agreement with the State Treasury

On 20 July 2022 there has been signed an agreement between the Company and the State Treasury regarding the planned merger of the Company with Grupa LOTOS S.A. ("Agreement").

The Agreement sets forth the Company's declarations of intent not constituting a contractual obligation of the Company regarding: (i) realization of the energy policy of Poland for crude oil and liquid fuels (traditional) and (ii) continuation of employment policy towards employees of Grupa LOTOS, who will become employees of the Company's capital group after the merger, assuring proper and safe operating of the workplaces belonging to Grupa LOTOS before the merger and also Company's commitment to continue key investments that are realised by Grupa LOTOS before the Merger, indicated in the Agreement.

The parties of the Agreement assumes that after the merger of the Company with Grupa LOTOS the key investments of Grupa LOTOS, indicated in the Agreement, will be continued in the minimum scope specified in the Agreement ("Investment Commitments"). The Company declared that immediately after the Merger it will verify the conditions for continuation of these investments.

The Company declared also that after the Merger and subject to the exceptions described in the Agreement it will take steps towards: (i) diversifying of the supplies of natural resources, in particular crude oil and independence of Poland from Russian crude oil deliveries, (ii) strengthening of the Company's position on the production and distribution of liquid fuels (traditional) market while endeavouring to reduce their emissivity, (iii) development of the Company on the petrochemical products market, including searching for and undertaking investments, (iv) research and projects on the use of alternative fuels, as well as electromobility and (v) maintaining the proper operation of refinery in Gdańsk.

Declaration on the Company's realization of the energy policy of Poland will be realised in the scope permitted by the generally applicable law and provisions of the Company's Articles of Association.

The Agreement is not legally binding except for selected provisions regulating, among others, execution of the Investment Commitments, including the Company's liability for breach of these obligations.

In case of culpable non-performance or improper performance of legally binding Investment Commitments by the Company and ineffective expiry of the deadlines provided by the parties of the Agreement to develop the recovery plan for non-performance or improper performance of the Investment Commitments, the Company will be obliged to pay contractual penalties to the State Treasury, which are in a precisely defined amount described in the Agreement.

Subject to the exceptions set out in the Agreement, it will remain in force for a period of 10 years from the date of its conclusion and will be automatically extended in the circumstances defined in the Agreement, for the period necessary for realization of the Investment Commitments. The Agreement entered into force in principle on the date of the merger of the Company with Grupa LOTOS, i.e. with the date of entry the merger in the relevant register.

In the Company's opinion, as at the date of preparation of these interim condensed consolidated financial statements, there is no risk that the conditions contained in an agreement with the State Treasury could not be met.

Provisional settlement of the transaction

The merger transaction with Grupa LOTOS is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. The transaction was made through an exchange of equity interests, where PKN ORLEN increased the share capital by issuing shares, which were then allocated to the shareholders of Grupa LOTOS, therefore the Company assessed the facts and circumstances of the transaction in order to determine which of the merging companies is an entity poignant.

Based on its professional judgment, the Company assessed that it is the acquirer which obtained control over Grupa LOTOS through the merger transaction.

As at the date of preparation of these interim condensed consolidated financial statements, the accounting for the merger has not been completed, and the process of measuring the acquired net assets to fair value is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which, apart from the exceptions described below, correspond to their book values as at the merger date. In particular, the Group decided to involve independent experts in order to carry out the valuation at fair value of the acquired assets and assumed liabilities. This valuation is currently performed by external experts and will affect the final fair value of the presented net assets under settlement. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

ORLEN GROUP (in PLN million)

The provisional value of identifiable assets acquired and liabilities of LOTOS Group assumed recognised as at the acquisition date are as follows:

		01/08/2022
Assets acquired	**A**	**35 370**
Non-current assets		***6 254***
Property, plant and equipment		4 110
Intangible assets		57
Right-of-use asset		686
Deferred tax assets		121
Derivatives		158
Other assets		1 122
Current assets		***29 116***
Inventories		7 901
Trade and other receivables		5 685
Current tax assets		6
Cash		4 369
Assets classified as held for sale		7 170
Derivatives		90
Other assets		3 895
Assumed liabilities	**B**	**14 613**
Non-current liabilities		***3 792***
Loans, borrowings and bonds		525
Provisions		1 466
Deferred tax liabilities		1 072
Lease liabilities		637
Other liabilities		92
Current liabilities		***10 821***
Trade and other liabilities		5 833
Lease liabilities		203
Liabilities from contracts with customers		7
Loans, borrowings and bonds		474
Provisions		184
Current tax liabilities		1 833
Other liabilities		736
Liabilities directly associated with assets classified as held for sale		1 551
Net assets – provisional amount	**C = A - B**	**20 757**
The fair value of the payment *	D	15 124
The value of pre-existing connections	E	191
Provisional gain on bargain purchase of Lotos Group	**F = C - D + E**	**5 824**

** The fair value of the payment made for the takeover in the amount of PLN 15,124 million is the sum of the nominal value of the issued Merger Shares in the amount of PLN 248 million, which increased the share capital and the surplus of the issue over nominal value in the amount of PLN 14,876 million, determined based on the market price of one share according to the closing price on the day of the merger in the amount of PLN 76.10.*

As part of the transaction, the previously existing relations between the ORLEN Group and the former LOTOS Group were settled at the estimated fair value of PLN (191) million, which corresponded to the net value of mutual receivables and liabilities between companies from both capital groups resulting mainly from trade agreements, as well as receivables and liabilities between PKN ORLEN and Grupa LOTOS S.A., in progress that expired as at 1 August 2022 by operation of law as a result of registration of the merger.
The Group presented under Other assets investments in companies covered by Remedial Measures classified as financial assets measured at fair value through profit or loss at the estimated fair value of PLN 3,661 million. The shown provisional fair value was estimated based on payments received to date from buyers as part of the implementation of Remedies, and in other cases based on the formulas for determining the sales prices specified in the preliminary sale agreements of these companies, which consist of a fixed element and a variable element, depending on the amount of debt and working capital, which for the purposes of estimating the fair value was determined based on available financial data of individual companies as at 31 December 2021. The fair value of investments in companies subject to Remedial Measures classified as financial assets measured at fair value through profit or loss, estimated as at the merger date, will change in subsequent reporting periods as the Group finally executes the Remedial Measures and determines the final sale prices.
Under the items Assets held for sale and Liabilities related to assets held for sale, the Group recognised the assets and liabilities of Rafineria Gdańska relating to the Remedied bitumen and refining operations, at their book value as at the merger date.
The provisional fair value of the acquired trade receivables and other receivables as at the takeover date was PLN 5,685 million, with the gross value of these receivables resulting from the concluded contracts amounting to PLN 5,764 million as at that date. In accordance with the best estimates, the Group considers the repayment of the disclosed trade and other receivables in the amount of PLN 5,685 million as probable.

In relation to the data presented as part of the interim settlement of the merger with LOTOS Group in Consolidated Quarterly Report for III quarter 2022 as a result of additional reconciliations of mutual settlements between the ORLEN Group and previous LOTOS Capital Group at the merger day changes were made to selected items of net assets and the value of previously existing relationships.
In addition, the estimated fair value of investments in companies covered by the Remedies was updated, which in relation to the Remedies that have already been implemented, was based on payments received so far from buyers.

The provisional value of the identifiable assets acquired and liabilities assumed as at the merger date exceeds the fair value of the consideration transferred, therefore, taking into account the value of the previously existing connections, a gain on a bargain purchase of PLN 5,824 million was generated on the provisional settlement of the merger.
The profit on a bargain purchase may change within 12 months from the date of the merger as part of the final settlement of the merger with Grupa LOTOS S.A.
Taking into account the specific requirements of IFRS 3 Business Combinations with regard to the possibility of recognising a possible gain on a bargain purchase, the Group intends to review the procedures for identifying and measuring all items affecting the calculation of the result on the transaction before recognising the final settlement of the transaction.
The interchange parity under the merger plan has been established based on various generally accepted valuation methods. For the purposes of the valuation, it was assumed that both entities operate as independent companies, and the unit valuations do not take into account the expected remedies required by the European Commission or potential synergies. The valuation analysis included, among others, valuation based on market multipliers and valuation based on the sum of the parts method, historical stocks of both merging companies, including volume-weighted average prices and target prices estimated by independent stock market analysts. The established share exchange parity was approved by the shareholders of both merging entities under the merger resolutions. In the Group's opinion, to the occurrence of a profit on a bargain purchase was mainly from the recently observed underestimation of the market value of the shares of PKN ORLEN and Grupa LOTOS (in the case of both companies, the book value of consolidated net assets as at the merger date significantly exceeded their capitalization).These valuations were mainly influenced by the macroeconomic situation and high market volatility caused by the Russian invasion in Ukraine. Moreover, the excess of the value of the acquired net assets over the estimated fair value of the consideration transferred was caused by the fact that in order to establish the exchange parity the effect of remedial measures was not taken into account as a one-off event., that will materialize after the merger of the two companies.

The impact of the merger with LOTOS Group on the Group's revenues and net results for the 12 and 3-months period ended 31 December 2022 amounted to PLN 25,346 million and PLN 14,449 million and PLN 3,199 million and PLN 1,804 million, respectively. If the merger had taken place at the beginning of the period, the Group's net profit (decreased by the bargain purchase of the LOTOS Group) would have been PLN 35,667 million, and sales revenues would have amounted to PLN 302,980 million.

3.4.2. Settlement of acquisition of PGNiG shares in accordance with IFRS 3

Description of the transaction

On 2 November 2022, the District Court for Łódź-Śródmieście in Łódź, XX Commercial Division of the National Court Register, registered the merger of PKN ORLEN with company Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG") ("Merger"), the increase of the Company's share capital and amendments to the Articles of Association of PKN ORLEN adopted by the Extraordinary General Meeting of PKN ORLEN on 28 September 2022.
The merger took place pursuant to Article 492 § 1(1) of the Polish Code of Commercial Companies, therefore, on 2 November 2022, i.e. on the date of recorder in the business register of the National Court Register by the district court, PKN ORLEN took over all the assets of PGNiG and, subject to exceptions resulting from legal regulations, assumed all rights and obligations of PGNiG under universal succession. In particular, as of the date of Merger, the permits, concessions and licenses granted to PGNiG were transferred to the Company, unless a relevant act of law or decision awarding a specific permit, concession, license or exemption provide otherwise. At the same time, the share capital of the Company was increased by issuing shares, issued by the Company to PGNiG' shareholders ("Merger Shares").
Share capital was increased from PLN 783,059,906.25 to the amount of PLN 1,451,177,561.25 by issuing of Merger Shares, i.e. 534,494,124 F series ordinary bearer shares of the Company with the nominal value of PLN 1.25 each, with the aggregate nominal value of PLN 668,117,655. Shareholders of PGNiG was allotted Merger Shares: in accordance with the agreed share swap ratio, under which the shareholders of PGNiG received 0.0925 PKN ORLEN shares (Merger Shares) for 1 share of PGNIG, with reservation that the number of allotted shares was a natural number, while the non-allotted fractions of the Merger Shares resulting from the application of the share swap ratio was compensated to the shareholders of PGNiG by way of payouts.

Reasons and strategic goals for the Merger

PGNiG, over which was taken over by PKN ORLEN as part of the Merger, together with companies indirectly and directly dependent on PGNiG, was one of the largest gas and oil companies in Central and Eastern Europe, conducting its activities, inter alia, in Poland, Germany, Norway, Great Britain, Czech Republic, Slovakia, Hungary, United Arab Emirates, Libya, Pakistan, Lithuania, the Netherlands, Belgium, Austria, Denmark, France, Croatia, Ireland, Colombia, Tanzania, Mozambique and Ukraine.
The activities of the former PGNiG Group were exploration and production of natural gas and crude oil, import of natural gas, as well as storage, sale and distribution of gaseous and liquid fuels, and the production of heat and electricity. The former PGNiG Group, through its subsidiaries, also provided (in terms of projects) specialized geophysical and drilling and maintenance services all over the world. The main areas of activity of PGNiG and companies belonging to the former PGNiG Group included: exploration and production, trade and storage, distribution and production. The main activities of each of these areas of activity include: obtaining hydrocarbons from deposits and preparing them for sale, trading in natural gas in Poland and on foreign markets, supplying the distribution network with high-methane and nitrogen-rich gas, as well as small amounts of coke-oven gas to retail and corporate customers, and generation of heat and electricity, heat distribution and implementation of large power engineering projects, mainly focused on the use of natural gas as fuel.
The progressing energy transformation driven by dynamic technological development, improved cost effectiveness of generating energy from RES and alternative fuels, climate policy, the evolution of social preferences as well as greater corporate and public environmental

awareness, represents a significant challenge for companies in the fuel and energy sector, as it assumes a gradual shift from hydrocarbons and conventional fuels to new and more sustainable energy sources.

The merger of the Company with PGNiG creates new opportunities for coherent, coordinated development that will enable the businesses to diversify their operations and remain competitive in the long run. The merged corporation will pursue operating excellence in the existing areas of its operation and through the development of new segments. The consolidation of the Company and PGNiG will increase the impact of the merged group on the entire sector thanks to, among other things, the improved coordination of efforts aimed at decarbonising the Polish economy by 2050. In this context, the goal of the multi-utility group's strategy will be to grow the natural gas segment, with natural gas being the key resource for the petrochemical and energy sectors. The merger between the Company and PGNiG, which took place following the integration of Grupa LOTOS into the Company, will result in optimizing and integrating the extraction of hydrocarbons by the merged company in the current markets and coordinated operations aimed at diversifying the sources of energy materials, including further development of the diversified LNG supply portfolio. The upstream consolidation will boost the efficiency of managing raw materials, mitigating the risk of volatility in the crude and gas markets and will allow for making better use of PGNiG's potential in terms of prospecting and exploration, including drilling. In consequence, the merger will contribute to improving the energy security of Poland and the entire region, which is of crucial importance given the current geopolitical context.

The Merger of PGNiG and the Company follows global trends in the fuel and power industry: the consolidation of financial strengths and reconfiguration of production assets towards low-emission are considered as priority of the transformation strategy of regional and global companies. The merger will create a multi-utility group with diversified and complementary revenue structure, based on strong operating and financial supports, which will accelerate and facilitate the achievement of strategic objectives assumed in both entities.

Before the Merger, PGNiG's operations were divided into seven domestic branches: (i) Wholesale Trade Branch, (ii) Sanok Branch, (iii) Zielona Góra Branch, (iv) Geology and Mining Branch, (v) Odolanów Branch , (vi) the Central Measurement and Research Laboratory, and (vii) the Rescue Borehole Mining Station, as well as two foreign branches: (i) the Ras Al Khamah Branch in the United Arab Emirates and (ii) the Operator Branch in Pakistan. On the day of the Merger, an organizational (self-balancing) unit was separated in PKN ORLEN operating under the name "Group of Branch Polskie Górnictwo Naftowe i Gazownictwo PKN ORLEN" with its registered office in Warsaw, including the branch under the name "Polski Koncern Naftowy ORLEN Spółka Akcyjna - Central Branch of Polskie Górnictwo Naftowe i Gazownictwo PKN ORLEN and Gazownictwo in Warsaw" and its subordinate branches corresponding to the previously operating branches of PGNiG specified above.

Meeting the required conditions for the merger

Key conditions that had to be met in order to complete the merger with Polskie Górnictwo Naftowe i Gazownictwo S.A. were as follows:

1. adopt relevant merger resolutions by PGNiG's General Meeting of containing, in particular, consent to the Merger Plan and approve the proposed amendments to PKN ORLEN's Statutes in connection with the merger - adopted on 10 October 2022;
2. adopt relevant merger resolutions by the PKN ORLEN's General Meeting, including in particular, the increase of the PKN ORLEN's share capital in connection with the Merger, on establishing consolidated text of Statues inclusive of the amendments made in connection with the Merger, as an amendment to the Statues, and on the consent to admit and introduce the Merger Shares to be traded in the regulated market – adopted on 28 September 2022;
3. obtaining the approval of the Council of Ministers of the Republic of Poland for the Merger as required by Article 13(5) in conjunction with Article 13(1)(9) and 13(1)(23) of the Act of the Management of State Assets - the Council of Ministers approved on 27 September 2022;
4. no objection being raised by the supervising authority with regard to the secondary acquisition by the State Treasury of a major stake in the Acquiring in the meaning of Article 3(7)(2) of the Act on the Control of Certain Investments - the decision regarding the lack of objection was issued on 22 September 2022;
5. no objection being raised by the concession-granting authority referred to Article 36a(8) of the Geological and Mining Law, until the merger of the Company and PGNiG in terms of the transfer of concessions held by PGNiG to the Company, within 60 days of notification to the concession-granting authority of the intention to merge the companies. The application for the transfer of the concessions was submitted by the Company on 30 August 2022.

In addition, in connection with the Merger, it is necessary to meet the requirements specified on 16 March 2022 in the Polish Office of Competition and Consumer Protection (UOKiK) conditional positive consent regarding concentration and implementation of a remedy.

The positive decision of the Chairman of UOKiK was submitted under condition of implementing the remedy in the form of divesting or cause permanent and irreversible getting rid of control over Gas Storage Poland Sp. z o.o. (GSP), the subsidiary of PGNiG to an independent investor. PKN ORLEN and PGNiG have 12 months from the date of merger for realization of the above mentioned remedy. The Company's obligations resulting from the decision of the President of UOKiK provides also an obligation to conclude an agreement entrusting GSP or its legal successor with the duties of a gas fuel storage system operator for a period of at least 10 years. GSP may be sold only to an entity that guarantees that the activity of the operator of the gaseous fuel storage system will be carried out taking into account the energy security of the state. GSP is the operator of the gas fuel storage system. After the merger, the natural gas storage facilities became the property of PKN ORLEN.

Agreement with the State Treasury

On 27 September 2022 an agreement was signed between the Company and the State Treasury regarding the planned merger of the Company and PGNiG ("Agreement"), which entered into force on the day of the Merger.

The Agreement sets forth the Company's declarations of intent not constituting a contractual obligation of the Company regarding: (i) realization of the energy policy of Poland to the extent which concerns the diversification of natural gas supply sources and the development of this fuel on the market and (ii) continuation of employment policy towards employees of PGNiG Group, who will become employees of the Company's capital group after the merger, assuring proper and safe operating of the workplaces belonging to PGNiG Group before the merger and also Company's commitment to continue, after merger of the Company with PGNiG, key investments that are realized or being prepared by PGNiG before the merger, indicated in the Agreement, in the minimum scope specified in the Agreement ("Investment Commitments").

The Company declared also that after the merger and subject to the exceptions described in the Agreement - in the scope permitted by the generally applicable law and provisions of the Company's Articles of Association - the strategy undertaken by the Company in the field of extraction, trade and distribution of natural gas will be consistent with the Energy Policy of Poland, which main thesis is to ensure long-term energy security of the Republic of Poland and diversification of natural gas supply sources.

The Agreement is not obligatory except for selected provisions regulating, among others, execution of the Investment Commitments, including the Company's liability for breach of these obligations.

In case of culpable non-performance or improper performance of legally binding Investment Commitments by the Company and ineffective expiry of the deadlines provided by the parties of the Agreement to develop the recovery plan in order to remove such a state of non-performance or improper performance of the Investment Commitments, the Company will be obliged to pay contractual penalties to the State Treasury, which are in a precisely defined amount described in the Agreement.

Subject to the exceptions set out in the Agreement, it will remain in force for a period of 10 years from the date of its conclusion and will be automatically extended in the circumstances defined in the Agreement, for the period necessary for realization of the Investment Commitments. The Agreement entered into force in principle on the date of the merger of the Company with PGNiG, i.e. with the date of entry the merger in the relevant register.

In the Company's opinion, as at the date of preparation of these interim condensed consolidated financial statements, there is no risk that the conditions contained in an agreement with the State Treasury could not be met.

Provisional settlement of acquisition transaction

The merger transaction between PKN ORLEN and PGNiG is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

Taking into consideration, that the transaction was made by exchanging equity interests, where PKN ORLEN increased the share capital by issuing shares, which was then allocated to the shareholders of PGNiG, as well as the fact, that as a result of the transaction the State Treasury increased its share in the share capital and voting rights at the General Meeting of the Parent Company – PKN ORLEN from approximately 31.14% to approximately 49.9%, the Group assessed the facts and circumstances related to the transaction in order to determine, which of the companies is the acquirer.

The analysis of the factors indicated by IFRS 3 in relation to identification of the acquirer, such as: the composition of the senior management of the combined entity, relative size of the merging capital groups, the composition of the management body and the terms of the transaction indicated, that PKN ORLEN is the acquirer.

Additional factors also support this conclusion, not explicitly mentioned in IFRS 3, such as: the fact that the combined entity will bear the name PKN ORLEN, a number of acquisitions both on the domestic and international market, carried out by the ORLEN Group in earlier periods, indicating that it is also developing its operations through acquisitions of other entities, the Group's long-term development strategy aimed at creating a multi-utility concern, also including assets related to gas extraction and distribution, or the leading role of PKN ORLEN in carrying out the merger activities included in the cooperation agreement signed on 12 May 2021 between LOTOS Group, PGNiG, PKN ORLEN and the State Treasury. As part of the analysis the Group also considered the issue of relative voting rights in the combined entity. Existing shareholders of PKN ORLEN after the merger, still constitute the majority of the shareholders of the merged entity.

The fact of strengthening the position of the State Treasury in the combined entity, without considering other circumstances, could constitute a premise for recognising a merger transaction with PGNiG as a reverse merger, and PGNiG company as acquirer.

As part of the analysis carried out by the Group, the above was the only premise in favour of recognizing, that PGNIG acts as the acquirer.

Nevertheless, given additional facts and circumstances, including importance and factual position of the State Treasury, as shareholder of PKN ORLEN, as well as, PGNiG before and after the merger transaction, the Group did not recognise this premise as prevailing in relation to the other analysed factors indicating PKN ORLEN as the acquiring entity.

In connection with the above, based on the professional judgment made, the Group assessed that PKN ORLEN is the acquirer which, as a result of the Merger, gained control over PGNiG.

As at the date of preparation of these interim condensed consolidated financial statements, the accounting for the merger has not been completed, and the process of measuring the acquired net assets to fair value is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which correspond to their book values as at the merger date. In particular, the Group decided to involve independent experts in order to carry out the valuation at fair value of the acquired assets and assumed liabilities. This valuation will be performed by external experts in subsequent periods and will affect the final fair value of the presented net assets under settlement. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

ORLEN ORLEN GROUP (in PLN million)

The provisional value of identifiable assets acquired and liabilities of PGNiG assumed recognised as at the acquisition date are as follows:

		02/11/2022
Assets acquired	**A**	**124 270**
Non-current assets		***65 022***
Property, plant and equipment		49 738
Intangible assets		1 567
Right-of-use asset		2 901
Deferred tax assets		4 950
Derivatives		2 465
Other assets		3 401
Current assets		***59 248***
Inventories		18 166
Trade and other receivables		5 884
Current tax assets		655
Cash		12 660
Assets classified as held for sale		20
Derivatives		9 404
Other assets		12 459
Assumed liabilities	**B**	**88 652**
Non-current liabilities		***22 195***
Loans, borrowings and bonds		164
Provisions		3 999
Deferred tax liabilities		5 648
Lease liabilities		2 238
Other liabilities		10 146
Current liabilities		***66 457***
Trade and other liabilities		16 766
Lease liabilities		614
Liabilities from contracts with customers		694
Loans, borrowings and bonds		13 825
Provisions		2 479
Current tax liabilities		8 754
Other liabilities		23 325
Net assets – provisional amount	**C = A - B**	**35 618**
The fair value of the payment *	D	31 022
The value of pre-existing connections	E	3 597
Provisional gain on bargain purchase of PGNiG Group	**F = C - D + E**	**8 193**

* *The fair value of the payment for the acquisition in the amount of PLN 31,022 million is the sum of the nominal value of the issued Merger Shares in the amount of PLN 668 million, which increased the share capital and the surplus of the issue over nominal value in the amount of PLN 30,334 million, determined based on the market price of one share according to the closing price on the day of the merger in the amount PLN 58.04.*

As part of the transaction, the previously existing relations between Grupa ORLEN and former PGNiG Group were settled at the estimated fair value of PLN 3,597 million, which corresponded to the net value of receivables and liabilities between companies from both groups, which were outstanding as at 2 November 2022, mainly due to commercial contracts, as well as receivables and liabilities between PKN ORLEN and PGNiG S.A., which expired by operation of law as a result of registration of the merger.

The provisional fair value of the acquired trade receivables and other receivables as at the takeover date was PLN 5,884 million, with the gross value of these receivables resulting from the concluded contracts amounting to PLN 6,932 million as at that date. In accordance with the best estimates, the Group considers the repayment of the disclosed trade and other receivables in the amount of PLN 5,884 million as probable.
The provisional value of the identifiable assets acquired and liabilities assumed as at the merger date exceeds the fair value of the consideration transferred, therefore, taking into account the value of the previously existing connections, a gain on a bargain purchase of PLN 8,193 million was generated on the provisional settlement of the merger.

The profit on a bargain purchase may change within 12 months from the date of the merger as part of the final settlement of the merger with PGNiG.

Taking into account the specific requirements of IFRS 3 Business Combinations with regard to the possibility of recognizing a possible gain on a bargain purchase, the Group intends to review the procedures for identifying and measuring all items affecting the calculation of the result on the transaction before recognizing the final settlement of the transaction.
The interchange parity under the merger plan has been established based on various generally accepted valuation methods. At the time the parity was established, the merger of PKN ORLEN and LOTOS Group was still underway and the exact impact of the merger on PKN ORLEN's quotations was not known. For the purposes of the valuation, it was assumed that the combined PKN ORLEN group with LOTOS Group is the sum of both companies and that the potential future synergies associated with the merger exceed the costs associated with the implementation of remedial measures, and that the remedial measures will be implemented in accordance with the plan and arrangements with the European Commission. The analysis of the valuation prepared in order to determine the exchange parity as part of the merger with PGNiG included, among others, market-based valuation methods: historical share prices of both merging companies, including volume-weighted average prices and target prices estimated by independent stock market analysts, and valuation based on the analysis of comparable companies of the relevant to the operating segments of the merging companies. The established share exchange parity was approved by the shareholders of both merging entities as part of the merger resolutions. In the

Group's opinion, the gain on a bargain purchase was mainly due to the underestimation of the market value of shares of Polish companies from the oil&gas sector in the period immediately preceding the merger. In the case of companies from this sector, the book value of consolidated net assets in the period in which the merger took place significantly exceeded their capitalization (market value). The low market valuations of Polish companies from the oil&gas sector were mainly influenced by a significant outflow of capital from the capital markets of Central Europe, caused, among others, by Russia's invasion of Ukraine and investors' concerns about the deterioration of the macroeconomic situation.

The impact of the merger with PGNiG on the Group's revenues and net results for the 12 and 3-months period ended 31 December 2022 amounted to PLN 53,582 million and PLN 7,913 million, respectively. If the merger had taken place at the beginning of the period, the Group's net profit (decreased by the bargain purchase of the PGNiG Group) would have been PLN 33,030 million, and sales revenues would have amounted to PLN 385,004 million.

3.4.3. Settlement of acquisition of Normbenz shares in accordance with IFRS 3

On 1 December 2022, ORLEN Unipetrol RPA s.r.o. concluded agreements with MOL Hungarian Oil and Gas Public Limited Company ("MOL"), as a result of which ORLEN Unipetrol acquired 100% of shares in Normbenz Magyarország Kft with its registered office in Budapest ("Normbenz"). As a result of the transaction, ORLEN Unipetrol became the owner of 79 petrol stations located in Hungary.
The concluded transaction is a consequence of earlier negotiations and agreements signed between PKN ORLEN and MOL, in connection with the sale to MOL of stations belonging to the former LOTOS Group as part of the implementation of Remedies.
Under the agreements signed with MOL, the relevant companies from the ORLEN Unipetrol Group will acquire up to 41 stations located in Slovakia and up to 65 up more fuel stations located in Hungary.
As a result of the acquisition of shares in Normbenz Magyarország, the Group will strengthen its presence on foreign markets by expanding the retail sales network to a new market, Hungary, where the Group has been present in the wholesale area so far.

Provisional settlement of the transaction

As at the date of preparation of these interim condensed consolidated financial statements, the accounting settlement of the merger has not been completed, and the process of fair value measurement of the acquired net assets is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities that correspond to their book values as at the date of the combination. In particular, the process of fair value measurement of the acquired assets and assumed liabilities was not completed, for which the Group engaged independent experts. This valuation will be carried out in subsequent periods and will affect the final fair value of the presented net assets as part of the settlement. The Group plans to finalize the acquisition transaction within 12 months from the merger date.

The provisional value of acquired Normbenz identifiable assets and liabilities assumed recognised as at the acquisition date are as follows:

in PLN million		01/12/2022
Assets acquired	A	**255**
Non-current assets		**224**
Property, plant and equipment		169
Intangible assets		4
Right-of-use asset		16
Goodwill		33
Deferred tax assets		2
Current assets		**31**
Inventories		13
Trade and other receivables		12
Cash		6
Assumed liabilities	B	**89**
Non-current liabilities		**15**
Lease liabilities		15
Current liabilities		**74**
Trade and other liabilities		52
Liabilities from contracts with customers		3
Loans, borrowings and bonds		19
Net assets – provisional amount	C = A - B	**166**
Acquired net assets attributable to the equity owners of the parent	D	**166**
% share in the share capital	E	100%
Value of shares measured as a proportionate share in the net assets	F = D*E	166
Fair value of the consideration transferred (Cash paid)	G	469
Provisional goodwill	I = G - F	**303**

The net cash outflow related to the acquisition of Normbenz, being the difference between the net cash acquired (recognised as cash flows from investing activities) and the paid cash transferred as consideration, amounted to PLN 463 million.
The provisional goodwill recognized as a result of the acquisition presents mainly the value of the expected benefits and synergies in the Group as part of the implemented strategy for the development of the service station network in the markets of Central and Eastern Europe, which also assumes an increase in the share of foreign stations in the entire network. As at 31 December 2022, the Group has not identified premises for impairment in relation to the recognised provisional goodwill.
If the acquisition of Normbenz shares took place at the beginning of the annual reporting period, the Group's net profit would be PLN 35,414 million, and sales revenues would be PLN 279,461 million. The share of Normbenz in the sales revenues and in profit generated by the ORLEN Group for the 4th quarter of 2022 was not material.

3.5. Change of shareholding structure in Rafineria Gdańska

On 30 November 2022 PKN ORLEN signed with Aramco Overseas Company B.V. the final agreement on sales to Aramco of 30% of shares in Rafineria Gdańska Sp. z o. o., for the price which consists of fixed element in the amount of approximately PLN 1.15 billion and variable element, depending on the level of net debt and working capital of Rafineria Gdańska as on the day of signing of the final agreement.

Moreover, on 30 November 2022, the Company signed with:

- Aramco and Rafineria Gdańska a joint venture agreement specifying the terms of cooperation between shareholders in Rafineria Gdańska, including the corporate governance adopted therein and the powers granted to them, and
- LOTOS SPV 1 (current name: Aramco Fuels Poland) and Rafineria Gdańska a processing agreement, which will be effective for contractual period of joint venture agreement.

The processing agreement grants PKN ORLEN and Aramco Fuels Poland, as processors, access to the production capacity of the refinery in Gdańsk in the proportion of 70% and 30%, respectively, and excludes the possibility of using the refinery's production capacity by third parties.

Thus, the processors have exclusive access to the refinery's production capacity and, consequently, derive substantially all economic benefits from the assets of Rafineria Gdańska.

Moreover, based on the signed agreement, the processors are obliged to cover the fixed costs of the refinery's operation, even during its shutdown, so the liabilities incurred by Rafineria Gdańska are covered almost exclusively by cash flows obtained from the processors, which indicates that the processors have obligations arising from the liabilities of Rafineria Gdańska and are the mainly source of cash flows contributing to the continuity of this company's operations.

On the basis of the conducted analysis, the Group assessed that the maintained investment in Rafineria Gdańska, which was maintained, is a joint operation. The recognition of a retained interest when an investment is reclassified from a subsidiary to a joint operation is not clearly defined in IFRS. Therefore, as part of the choice of accounting policy, the Group recognised at the moment of the initial recognition of joint action the value of 70% of net assets of Rafineria Gdańska as at the transaction date at their carrying amounts, which were included in the Group's consolidated financial statements.

As a consequence, as at 30 November 2022, the Group recognised in other operating expenses the result on the sale of shares in Rafineria Gdańska in the amount of PLN (519) million, being the difference between the value of 30% of net assets as at the transaction date and the value of the payment received from Aramco.

As indicated in note 3.4.1, as at the date of preparation of these interim condensed consolidated financial statements, the process of fair value measurement of the acquired assets and assumed liabilities of Grupa LOTOS has not been completed, as a result of which the carrying amounts of Rafineria Gdańska, which are the basis for determining shown in the 4th quarter of 2022 the result on the sale of 30% of its shares to Aramco and the recognised values of assets and liabilities in a joint operation at the time of initial recognition. Therefore, the values described above may change as a result of the final settlement of the merger with Grupa LOTOS, for which the Group has 12 months from the merger date.

In accordance with the principles set out in IFRS 11 Joint Arrangements, as at 31 December 2022, the Group presented its participation in the joint operation regarding the investment in Rafineria Gdańska by recognition the relevant parts of assets, liabilities, revenues and costs resulting from the rights and obligations assigned to it under the signed agreements. Thus, the Group recognised in individual items of the consolidated statement of financial position 70% of the assets and liabilities of Rafineria Gdańska held and incurred jointly with the second processor (including production assets of the refining activity of this company) and an appropriate share in assets and liabilities to which other settlement rules based on joint operation agreements.

4. Segment's data

As at 31 December 2022 the operations of the ORLEN Group were conducted in:

- the Refining segment, which includes refinery products processing and wholesale, oil production and sale as well as supporting production,
- the Petrochemical segment, which includes the production and wholesale of petrochemicals, production and sale of chemicals and supporting production,
- the Energy segment, which includes production, distribution and sale of electricity and heat and trading in electricity,
- the Retail segment, which includes mainly activity carried out at petrol stations and activity of RUCH Group,
- the Upstream segment, which includes activity related to exploration and extraction of mineral resources conducted through the ORLEN Upstream Group, LOTOS Upstream Group, LOTOS Petrobaltic Group,
- the Gas segment, which is a new operating segment separated as a result of the merger in 4th quarter of 2022 with the PGNiG Group and includes the process of exploration and production of natural gas as well as distribution and sale of gas

and Corporate Functions, which include activities related to management, administration and remaining activities not allocated to separate operating segments i.e. reconciling items.

The allocation of the ORLEN Group's companies to operating segments and Corporate Functions was presented in note 3.3.

ORLEN GROUP (in PLN million)

In 4th quarter of 2022, the Group presented the entire value of the provisional gain on a bargain purchase resulting from the merger with LOTOS Group and PGNiG Group within the Corporate Functions segment, as this is a one-off event that does not affect the Group's decisions on how to allocate resources and the assessment of the performance of individual operating segments.

Revenues, costs, financial results, increases in non-current assets

for the 12-month period ended 31 December 2022

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Gas Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	131 477	24 475	26 901	65 329	2 718	26 975	634	-	278 509
Inter-segment revenues		55 951	5 699	7 757	175	5 751	3 764	819	(79 916)	-
Sales revenues		187 428	30 174	34 658	65 504	8 469	30 739	1 453	(79 916)	278 509
Total operating expenses		(159 629)	(27 910)	(32 195)	(63 535)	(1 617)	(33 151)	(2 984)	79 905	(241 116)
Other operating income	5.5	1 016	631	1 359	102	49	1 691	14 112	-	18 960
gain on bargain purchase of the LOTOS Group and of the PGNiG Group	5.5	-	-	-	-	-	-	*14 017*	-	*14 017*
Other operating expenses	5.5	(7 812)	(853)	(1 368)	(143)	(524)	(1 669)	(399)	-	(12 768)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	(4)	(137)	(6)	(21)	(149)	11	-	(307)
Share in profit from investments accounted for using the equity method	5.7	10	219	64	-	-	(10)	-	-	283
Profit/(Loss) from operations		**21 012**	**2 257**	**2 381**	**1 922**	**6 356**	**(2 549)**	**12 193**	**(11)**	**43 561**
Net finance income and costs	5.6									(564)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables										(14)
Profit before tax										**42 983**
Tax expense										(7 525)
Net profit										**35 458**
Depreciation and amortisation	5.2	**1 583**	**1 104**	**1 746**	**866**	**961**	**308**	**326**	**-**	**6 894**
EBITDA		**22 595**	**3 361**	**4 127**	**2 788**	**7 317**	**(2 241)**	**12 519**	**(11)**	**50 455**
Increases in non-current assets		**4 333**	**5 064**	**4 343**	**1 409**	**2 179**	**1 809**	**485**	**-**	**19 622**

ORLEN ORLEN GROUP (in PLN million)

for the 3-month period ended 31 December 2022

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Gas Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	43 668	5 116	8 570	16 630	1 078	26 975	225	-	102 262
Inter-segment revenues		14 116	1 317	2 040	57	5 745	3 764	264	(27 303)	-
Sales revenues		57 784	6 433	10 610	16 687	6 823	30 739	489	(27 303)	102 262
Total operating expenses		(48 709)	(6 311)	(10 897)	(16 252)	(1 096)	(33 151)	(971)	27 297	(90 090)
Other operating income	5.5	273	176	335	68	45	1 691	8 241	-	10 829
gain on bargain purchase of the LOTOS Group and of the PGNiG Group	5.5	-	-	-	-	-	-	*8 193*	-	*8 193*
Other operating expenses	5.5	(847)	(29)	(102)	(80)	(354)	(1 669)	(223)	-	(3 304)
(Loss)/reversal of loss due to impairment of trade receivables		(1)	(4)	(95)	(4)	(21)	(149)	5	-	(269)
Share in profit from investments accounted for using the equity method	5.7	4	5	5	-	(1)	(10)	-	-	3
Profit/(Loss) from operations		**8 504**	**270**	**(144)**	**419**	**5 396**	**(2 549)**	**7 541**	**(6)**	**19 431**
Net finance income and costs	5.6									528
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables										(9)
Profit before tax										**19 950**
Tax expense										(3 670)
Net profit										**16 280**
Depreciation and amortisation	5.2	**445**	**288**	**506**	**236**	**654**	**308**	**92**	**-**	**2 529**
EBITDA		**8 949**	**558**	**362**	**655**	**6 050**	**(2 241)**	**7 633**	**(6)**	**21 960**
Increases in non-current assets		**1 594**	**1 245**	**1 704**	**615**	**1 662**	**1 809**	**207**	**-**	**8 836**

for the 12-month period ended 31 December 2021

	NOTE	Refining Segment	Petrochemical Segment	Energy Segment	Retail Segment	Upstream Segment	Corporate Functions	Adjustments	Total
External revenues	5.1	56 967	16 011	16 039	41 082	798	444	-	131 341
Inter-segment revenues		28 577	2 252	3 474	85	-	580	(34 968)	-
Sales revenues		85 544	18 263	19 513	41 167	798	1 024	(34 968)	131 341
Total operating expenses		(79 532)	(16 698)	(18 876)	(39 079)	(523)	(2 171)	34 968	(121 911)
Other operating income	5.5	3 144	1 666	1 638	120	1 058	285	-	7 911
Other operating expenses	5.5	(2 858)	(127)	(414)	(158)	(288)	(153)	-	(3 998)
(Loss)/reversal of loss due to impairment of trade receivables		(10)	(2)	(69)	(5)	-	-	-	(86)
Share in profit from investments accounted for using the equity method	5.7	1	388	223	-	-	1	-	613
Profit/(Loss) from operations		**6 289**	**3 490**	**2 015**	**2 045**	**1 045**	**(1 014)**	**-**	**13 870**
Net finance income and costs	5.6								(179)
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(8)
Profit before tax									**13 683**
Tax expense									(2 495)
Net profit									**11 188**
Depreciation and amortisation	5.2	**1 367**	**1 029**	**1 588**	**805**	**260**	**292**	**-**	**5 341**
EBITDA		**7 656**	**4 519**	**3 603**	**2 850**	**1 305**	**(722)**	**-**	**19 211**
Increases in non-current asset		**2 376**	**3 051**	**2 616**	**1 141**	**363**	**343**	**-**	**9 890**

ORLEN ORLEN GROUP (in PLN million)

for the 3-month period ended 31 December 2021

	NOTE	Refining Segment (unaudited)	Petrochemical Segment (unaudited)	Energy Segment (unaudited)	Retail Segment (unaudited)	Upstream Segment (unaudited)	Corporate Functions (unaudited)	Adjustments (unaudited)	Total (unaudited)
External revenues	5.1	18 953	5 122	4 616	11 802	253	168	-	40 914
Inter-segment revenues		9 708	794	974	16	-	163	(11 655)	-
Sales revenues		28 661	5 916	5 590	11 818	253	331	(11 655)	40 914
Total operating expenses		(26 214)	(5 564)	(6 382)	(11 443)	(95)	(638)	11 655	(38 681)
Other operating income	5.5	1 213	777	663	74	1 056	80	-	3 863
Other operating expenses	5.5	(702)	(82)	(224)	(113)	(137)	(31)	-	(1 289)
(Loss)/reversal of loss due to impairment of trade receivables		(6)	-	(17)	1	1	(6)	-	(27)
Share in profit from investments accounted for using the equity method	5.7	1	122	102	-	-	-	-	225
Profit/(Loss) from operations		**2 953**	**1 169**	**(268)**	**337**	**1 078**	**(264)**	**-**	**5 005**
Net finance income and costs	5.6								107
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables									(1)
Profit before tax									**5 111**
Tax expense									(967)
Net profit									**4 144**
Depreciation and amortisation	5.2	**368**	**306**	**415**	**197**	**23**	**99**	**-**	**1 408**
EBITDA		**3 321**	**1 475**	**147**	**534**	**1 101**	**(165)**	**-**	**6 413**
Increases in non-current assets		**823**	**838**	**869**	**402**	**150**	**159**	**-**	**3 241**

EBITDA *– profit/(loss) from operations increased by depreciation and amortisation*
Increase in non-current assets (CAPEX) *includes increase of property, plant and equipment, intangible assets, investment property and right-of-use asset together with the capitalisation of borrowing costs and a decrease in received/due penalties for the improper execution of a contract*

Assets by operating segments

	31/12/2022 (unaudited)	31/12/2021
Refining Segment	75 050	35 343
Petrochemical Segment	23 902	17 897
Energy Segment	47 171	29 399
Retail Segment	14 489	11 688
Upstream Segment	38 101	4 284
Gas Segment	68 967	-
Segment assets	**267 680**	**98 611**
Corporate Functions	36 057	8 228
Adjustments	(30 673)	(85)
	273 064	**106 754**

Operating segments include all assets except for financial assets, tax assets and cash, which are presented as part of the Corporate Functions. Assets used jointly by the operating segments are allocated based on revenues generated by individual operating segments.

5. Other notes

5.1. Sales revenues

PROFESSIONAL JUDGMENT

Based on analyses of contractual clauses in sales contracts, the Group identified the agency model mainly in the area of natural gas and LPG sales and non-fuel merchandise sales by ORLEN Deutschland to customers network.

The loyalty program VITAY liability, arises at the time of sales of goods and services at own and franchise petrol stations for each single sale transaction and in case of purchase by the Group's customers in partner's e-Shops and consists of calculating points entitling to discounts on future purchases. A ratio of 68.5% is adopted to recognise liability taking into account the probability of its on realisation, based on empirical data of points used compared to those issued to the customer in the last 36 months.

The Group assessed, that marketing services in Retail segment provided to suppliers are inseparably linked to the purchase of these merchandise, hence revenues from marketing services reduce costs related to their purchase and release for sale.

(in PLN million)

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Revenues from sales of finished goods and services	231 422	86 421	103 415	32 996
revenues from contracts with customers	*227 095*	*82 361*	*103 093*	*32 899*
excluded from scope of IFRS 15	*4 327*	*4 060*	*322*	*97*
Revenues from sales of merchandise and raw materials	47 087	15 841	27 926	7 918
revenues from contracts with customers	*47 087*	*15 841*	*27 926*	*7 918*
Sales revenues, incl.:	**278 509**	**102 262**	**131 341**	**40 914**
revenues from contracts with customers	*274 182*	*98 202*	*131 019*	*40 817*

Revenues excluded from the scope of IFRS 15 refer mainly to operating lease contracts joint arrangements and compensations for gas prices.

The impact of the merger with LOTOS Group and PGNiG Group on the sales revenues

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)
Revenues from sales of finished goods and services	56 515	31 444
revenues from contracts with customers	*52 426*	*31 398*
excluded from scope of IFRS 15	*4 089*	*46*
Revenues from sales of merchandise and raw materials	5 284	586
revenues from contracts with customers	*5 284*	*586*
Sales revenues, incl.:	**61 799**	**32 030**
revenues from contracts with customers	*57 710*	*31 984*

Performance obligations

As part of the contractual obligations, the Group commits to deliver to its customers mostly refining, petrochemical products and goods, electricity and heat, crude oil, natural gas, energy distribution and gas transmission services, geophysical and geological services, connection services as well as press supply and subscription as well as courier distribution services. Under these agreements, the Group acts as a principal. The Group defines its role as an intermediary in the scope of energy and gas transmission services in the case of purchase of these services from suppliers outside the Group.

Transaction prices in existing contracts with customers are not subject to restrictions, except for prices for customers subject to the tariff approval by the President of the Energy Regulatory Office (Urząd Regulacji Energetyki, URE in Polish), for the sale of electricity and the electricity and heat distribution services in the Energy segment and the sale of gaseous fuel and the gaseous fuel distribution services in Gas segment. There are no contracts in force providing for significant obligations for returns and other similar obligations. Press revenues in the case of wholesale is recognised when the circulation is issued to distributors, and in the case of retail sales for most points/networks are recognised based on the difference accounting between delivered and returned press. The invoice is issued for the completed press sales to end customers.

The warranties provided under the contracts are warranties that provide a customer with assurance that the related product complies with agreed-upon specification. They are not a distinct service.

There are mainly sales with deferred payment in the Group. Additionally in the Retail segment cash sales take place. In contracts with customers, in most cases payment terms not exceeding 30 days are used, while in the Upstream segment payment terms not exceeding 60 days are used. Usually payment is due after transferring good or service.

Within the Refining, Petrochemical, Retail, Gas and Upstream segments, in case of deliveries of goods, where control is transferred to the customer in terms of services satisfied at a point in time, settlements with customers and recognition of revenues take place after each delivery.

In the Group the revenues from deliveries of goods and provision of services, when the customer simultaneously receives and benefits from them, are being accounted and recognised over time. In the Refining, Petrochemical and Gas segment, in continuous sale, when goods are transferring using pipelines, the ownership right over the transferred good passes to the customer at an agreed point in the infrastructure of the plant. This moment is considered as the date of sale. Revenue is recognised based on the output method for the delivered units of goods. In the Group in case of construction services, when an asset is created as a result of the performance, and control over this component is exercised by the customer, revenue is recognised over time using input-based method based on the costs incurred irrespective of the signed acceptance protocols. Within the Retail segment, in Fleet Program settlements with customers take place mostly in two-week periods, the delivery of the press are accounted for on a weekly basis, and subscriptions on a monthly, quarterly, semi-annual and annual periods.

Within the Energy and Gas segment, revenue for energy and gaseous fuel delivered in the period and energy distribution, as well as energy distribution, transmission and distribution of heat and distribution and transmission of gaseous fuel are recognised on a decadal or monthly and are determined on the basis of billed price and volumes as well as additional estimations. The estimates of revenues for energy are made on the basis of reports from billing systems as well as forecasts of customers' energy needs and prices for the estimated days of energy consumption, as well as a result of reconciliations of the energy balance.

The value of uninvoiced gas delivered to individual customers is estimated on the basis of the current consumption characteristics in comparable reporting periods. The value of estimated gas sales is determined as the product of the quantities assigned to individual tariff groups and the rates specified in the applicable tariff.

Accounts with customers are settled on decade cycles and a one- and two-month basis. Revenues from services related to connection to the energy network are recognised at the point in time when the works are completed.

Revenues according to categories taking into account significant economic factors affecting their recognition

Except of revenues according to product type and geographical region presented in notes 5.1.1 and 5.1.2, the Group analyses revenues based on the type of contract, date of transfer, contract duration and sales channels.

In the Group, most contracts with customers in exchange for the goods/services provided are based on a fixed price, and thus the revenues already recognised will not change.

The Group classifies as revenues from contracts based on a variable price, when the consideration is a variable fee on turnover, customers have the rights to trade discounts and bonuses and a part of revenues related to penalties. Revenue from contracts with a variable amount is presented mainly in the Refining, Petrochemical and Energy segments. Contracts accounted for on the basis of time and effort consumed include long-term contracts, among them construction and IT contracts.

As part of the Refining, Petrochemical and Gas segments, with respect to sales of petrochemical refinery and gas products, the Group recognises revenue from the fulfilment of the performance obligation, depending on the terms of delivery applied (Incoterms CFR, CIF, CPT, DAP, DDP, EXW, FCA). In case of some deliveries, the Group as a seller is obliged to organize transport. When the control of good transferred to the customer before the transport service is completed, the delivery of goods and transport becomes separate performance obligations. The delivery of goods is an obligation satisfied at a point in time, while transport is a continuous obligation (satisfied over time), where the customer simultaneously receives and consumes benefits from the service. Revenues are recognised on the basis of the output method with respect to the rendered services.

In the Retail segment, the moment of fulfilment of the performance obligation is the moment of transfer of good, except for sales of fuels in the Fleet Program using Fleet Cards.

In the Gas segment, revenues from gas sales on exchanges are realized at a point in time.

Revenues recognised over time relate mainly to the sale and distribution of electricity and gas to business and institutional customers, as well as the sale, transmission and distribution of heat within the Energy and Gas segment, fuel sales in the Fleet Programme and subscription sale within Retail segment and the sale of gas and crude oil within the Upstream segment. These revenues are recognised using the output method for the delivered units of goods.

The duration of most contracts within the Group is short-term. Revenues on services for which start and end dates fall in different reporting periods are recognised according to the degree of complete fulfilment of the performance obligation using the input-based method. Contracts that remain unfulfilled in full as at the balance sheet date relate to i.a. construction and installation contracts.

As at 31 December 2022 the Group analysed the value of the transaction price allocated to unfulfilled performance obligations.

The unfulfilled or partially unfulfilled performance obligations as at 31 December 2022 mainly concerned contracts for the sale of electricity, gas and power media and for the supply of newspapers, subscriptions, advertising broadcast, parcel delivery and collection services that will end within 2023 or are concluded for an indefinite period with a notice period of up to 12 months.

Due to the fact that the described performance obligations are part of the contracts, that can be considered short-term, or the revenues from fulfilled performance obligation under these contracts are recognised in the amount that the Group has the right to invoice, the Group applied a practical solution, according to which it does not disclose information about the total amount of the transaction price allocated to the performance obligation.

The Group mostly realizes revenue from direct sales to end customers based on its own, leased or based on the franchise agreement system sales channels in the Retail segment. The Group manages the network of 3,097 fuel stations: 2,546 own brand stations and 551 stations operated under franchise agreements and carries out sales through 814 retail outlets/ kiosks managed by the RUCH Group. Additionally, the press is sold in third-party outlets, i.e. large organised networks, including franchised and private shops. As part of the publishing activity of the Polska Press Group, revenues are also generated through own websites.

The Group's direct sales to customers in the Refining, Petrochemical, Gas and Upstream segment are carried out using a network of complementary infrastructure components: fuel terminals, land transhipment bases, pipeline networks, as well as rail transport and tanker trucks. Sales and distribution of energy and gas to customers in the Energy and Gas segment are carried out mostly with the use of own distribution infrastructure.

ORLEN ORLEN GROUP (in PLN million)

5.1.1. Sales revenues of operating segments according to product type

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Refining Segment				
Revenue from contracts with customers IFRS 15	**131 458**	**43 663**	**56 949**	**18 948**
Light distillates	24 560	7 851	13 379	4 379
Medium distillates	91 490	30 524	34 556	11 715
Heavy fractions	10 817	2 851	6 180	2 099
Other*	6 224	2 747	2 848	774
Effect of the settlement of cash flow hedge accounting	(1 633)	(310)	(14)	(19)
Excluded from scope of IFRS 15	**19**	**5**	**18**	**5**
	131 477	**43 668**	**56 967**	**18 953**
Petrochemical Segment				
Revenue from contracts with customers IFRS 15	**24 466**	**5 113**	**16 003**	**5 120**
Monomers	5 187	1 042	3 685	1 397
Polymers	4 505	946	3 726	1 092
Aromas	1 901	343	1 315	370
Fertilizers	2 668	617	1 375	535
Plastics	2 873	442	1 911	610
PTA	2 667	573	1 483	305
Other**	4 665	1 150	2 508	811
Excluded from scope of IFRS 15	**9**	**3**	**8**	**2**
	24 475	**5 116**	**16 011**	**5 122**
Energy Segment				
Revenue from contracts with customers IFRS 15	**26 863**	**8 561**	**16 005**	**4 590**
Excluded from scope of IFRS 15	**38**	**9**	**34**	**26**
	26 901	**8 570**	**16 039**	**4 616**
Retail Segment				
Revenue from contracts with customers IFRS 15	**65 077**	**16 564**	**40 845**	**11 745**
Light distillates	24 493	5 855	16 111	4 689
Medium distillates	35 328	9 314	20 427	6 161
Other***	5 256	1 395	4 307	895
Excluded from scope of IFRS 15	**252**	**66**	**237**	**57**
	65 329	**16 630**	**41 082**	**11 802**
Upstream Segment				
Revenue from contracts with customers IFRS 15	**2 685**	**1 056**	**797**	**253**
NGL ****	645	243	371	100
Crude oil	539	234	81	24
Natural Gas	1 344	431	339	127
LNG *****	28	28	-	-
Other	129	120	6	2
Excluded from scope of IFRS 15	**33**	**22**	**1**	**-**
	2 718	**1 078**	**798**	**253**
GAS Segment				
Revenue from contracts with customers IFRS 15	**23 030**	**23 030**	**-**	**-**
Natural Gas	21 164	21 164	-	-
LNG *****	157	157	-	-
CNG ******	29	29	-	-
Electricity	1 100	1 100	-	-
Other	580	580	-	-
Excluded from scope of IFRS 15	**3 945**	**3 945**	-	-
	26 975	**26 975**	**-**	**-**
Corporate Functions				
Revenue from contracts with customers IFRS 15	**603**	**215**	**420**	**161**
Excluded from scope of IFRS 15	**31**	**10**	**24**	**7**
	634	**225**	**444**	**168**
	278 509	**102 262**	**131 341**	**40 914**

* *Other includes mainly: brine, industrial salt, vacuum distillates, acetone, phenol, technical gases and sulphur. In addition, it includes revenues from sale of services and materials.*
** *Other includes mainly: ammonia, butadiene, soda lye, caprolactam*
*** *Other mainly includes the sale of non-fuel merchandise*
**** *NGL (Natural Gas Liquids) a gas composed of heavier molecules than methane: ethane, propane, butane, isobutane*
***** *LNG Liquefied Natural Gas*
****** *CNG Compressed Natural Gas*

During the 12 and 3-month period ended 31 December 2022 and 31 December 2021 revenues from none of Group leading customers individually exceeded 10% of the total sales revenues of the ORLEN Group.

ORLEN ORLEN GROUP (in PLN million)

5.1.2. Sales revenues according to geographical region – as per location of customer's headquarters

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Revenue from contracts customers				
Poland	*159 336*	*63 926*	*71 582*	*22 367*
Germany	*25 907*	*6 613*	*17 148*	*4 693*
Czech Republic	*29 961*	*7 479*	*15 095*	*4 778*
Lithuania, Latvia, Estonia	*17 437*	*4 938*	*7 933*	*2 546*
Other countries, incl.:	*41 541*	*15 246*	*19 261*	*6 433*
Switzerland	*7 741*	*2 370*	*5 127*	*1 879*
Ireland	*7 528*	*3 003*	*2 167*	*718*
Ukraine	*4 441*	*1 393*	*2 124*	*620*
United Kingdom	*4 890*	*2 301*	*1 338*	*753*
Netherlands	*3 571*	*2 053*	*1 052*	*206*
Slovakia	*2 806*	*721*	*1 423*	*451*
Hungary	*1 506*	*387*	*1 043*	*378*
	274 182	**98 202**	**131 019**	**40 817**
excluded from scope of IFRS 15				
Poland	*4 069*	*3 993*	*84*	*40*
Germany	*91*	*23*	*93*	*21*
Czech Republic	*165*	*44*	*143*	*36*
Lithuania, Latvia, Estonia	*1*	*-*	*1*	*-*
Other countries	*1*	*-*	*1*	*-*
	4 327	**4 060**	**322**	**97**
	278 509	**102 262**	**131 341**	**40 914**

5.2. Operating expenses

Cost by nature

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Materials and energy	(165 741)	(61 643)	(77 319)	(26 020)
Cost of merchandise and raw materials sold	(43 023)	(15 764)	(24 487)	(7 156)
External services	(8 153)	(2 385)	(6 384)	(1 880)
Employee benefits	(6 733)	(2 380)	(4 840)	(1 228)
Depreciation and amortisation	(6 894)	(2 529)	(5 341)	(1 408)
Taxes and charges	(9 401)	(3 541)	(6 802)	(2 272)
Other	(1 263)	(590)	(767)	(183)
	(241 208)	**(88 832)**	**(125 940)**	**(40 147)**
Change in inventories	3 003	(507)	3 521	1 279
Cost of products and services for own use and other	(2 911)	(751)	508	187
Operating expenses	**(241 116)**	**(90 090)**	**(121 911)**	**(38 681)**
Distribution expenses	11 116	3 286	8 507	2 425
Administrative expenses	3 545	1 262	2 615	688
Cost of sales	**(226 455)**	**(85 542)**	**(110 789)**	**(35 568)**

The increase in materials and energy in the 12 and 3-month periods ended 31 December 2022 resulted mainly from the inclusion of costs of the former Grupa LOTOS and Grupa PGNIG companies in the amount of PLN (44,645) million and PLN (28,465) million, respectively, and an increase in the prices of basic raw materials and energy as a result of the ongoing Russian-Ukrainian war.

In connection with the merger with the PGNIG Group, in the item of materials and energy consumption, the Group also presented the cost of gas, which includes the cost of purchasing gaseous fuel from all sources together with a reasonable part of the costs of system and transaction fees, actual costs of extraction from domestic sources, costs of denitrification and regasification costs.

The increase in taxes and charges in the 12 and 3-month period ended 31 December 2022 by PLN (2,599) million and PLN (1,269) million, respectively, resulted mainly from the revaluation of the provision for the estimated costs of CO_2 emissions for 2021 and the recognition of a provision for the estimated costs of CO_2 emissions for 12 and 3-months of 2022 taking into account the settlement of the grant for entitlements received free of charge for the year in the total amount of PLN (4,564) million and PLN (1,362) million, respectively compared to PLN (3,119) million and PLN (1,548) million in the corresponding period of 2021. The higher costs of creating and updating the provision for the 12 and 3-months of 2022 were influenced by both the higher weighted average price of the CO_2 rights held, resulting from the acquisition of CO_2 rights under the term contracts held by the Group, as well as the fact that for the estimated emissions of some not covered by the rights held as at the reporting date, the value of the provision was calculated based on market prices.

ORLEN GROUP (in PLN million)

In line Cost of products and services for own use and other, the Group presented the value of finished goods purchased as part of the merger with Grupa LOTOS S.A. in the amount of PLN 2,608 million.

The impact of the merger with LOTOS Group and PGNiG Group on the cost by nature

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)
Materials and energy	(44 645)	(28 465)
Cost of merchandise and raw materials sold	(5 233)	2 185
External services	(704)	(333)
Employee benefits	(1 060)	(567)
Depreciation and amortisation	(1 220)	(647)
Taxes and charges	(1 426)	(1 003)
Other	(336)	(212)
	(54 624)	**(29 042)**
Change in inventories	2 072	(337)
Cost of products and services for own use and other	(997)	957
Operating expenses	**(53 549)**	**(28 422)**
Distribution expenses	916	620
Administrative expenses	401	194
Cost of sales	**(52 232)**	**(27 608)**

5.3. Impairment allowances of inventories to net realizable value

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Increase	(1 257)	(1 064)	(105)	(45)
Decrease	237	118	103	32

Increase in impairment losses of inventories to net realizable value in the 12 and 3 months ended 31 December 2022 was higher than in the corresponding period of the previous year, mainly due to the merger with the PGNiG Group and the recognition of a gas allowance due to a decrease in gas prices on stock exchanges in December 2022 and the related reduction of price forecasts for the next 12 months.

5.4. Impairment allowances of property, plant and equipment and intangible assets, goodwill and right-of-use assets

The ORLEN Group is in the process of verifying the impairment of assets as at 31 December 2022, taking into account the assumptions of the Financial Plan of PKN ORLEN and the ORLEN Group for 2023 adopted on 27 January 2023 and the assumptions adopted in the updated ORLEN Strategy. Therefore, the data presented below may change. Any changes will be disclosed in the Consolidated Financial Statements of the ORLEN Group for the year ended 31 December 2022.

As at 31 December 2022, the ORLEN Group conducted an analysis of indicators of impairment of upstream assets at LOTOS Exploration and Production Norge AS (LOTOS E&P Norge) and identified impairment due to delayed drilling of production and injection wells, revision of provisions, and operational problems in the form of increased flooding of production wells.

Other information relates to the impairment of the ORLEN Group's assets identified and disclosed in the Interim Reports for individual quarters of 2022.

Assets of the Energy segment

The total impairment of assets recognised so far by the Group in 2022 in the Energy segment amounted to PLN (24) million. The ORLEN Group is currently in the process of verification the impairment of assets in the Energy segment as at 31 December 2022.

As at 30 September 2022, the ORLEN Group did not find any significant changes in the main assumptions compared to the assumptions disclosed in the interim financial statements of the ORLEN Group for the first half of 2022 and considered that the valuations performed as at 30 June 2022 remain valid.

Impairment tests of the main energy assets for which evidence of impairment was identified as at 30 June 2022 were carried out using the income method based on the discounted value of estimated cash flows from operating activities (value in use), taking into account, among others, the following assumptions:

– Macroeconomic assumptions applied in the ORLEN Group with regard to electricity prices, prices of hard coal and natural gas, capacity market rates for the Polish market, certificates of origin for energy and prices of carbon dioxide emission allowances. As regards prices of biomass the forecasts of the ORLEN Group companies using this raw material were applied.

– The number of free CO_2 emission allowances for the years 2022-2025 in accordance with the Regulation of the Minister of the Environment of the Republic of Poland.
– Replacement capital expenditure at a level ensuring the maintenance of the production capacity of the existing fixed assets, including expenditure on adjusting the levels of industrial emissions to the requirements of Directive 2010/75 / EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions and the executive decision EU Commission 2021/2326 on the conclusions of the best available techniques (BAT) published on 30 November 2021.
– Maintaining support for production from the existing renewable energy sources in the form of income from proprietary rights.

As at 30 June 2022, the ORLEN Group performed impairment tests, which resulted in the impairment allowance for the following assets: ENERGA Kogeneracja: CGU Żychlin PLN (6) million and CGU Kalisz PLN (6) million. The value in use of CGU Żychlin was PLN 13 million and was calculated at a discount rate of 9.9%, the value in use of CGU Kalisz was PLN 20 million and was calculated at a discount rate of 13.22% (including a 5% bonus for specific risk due to include investments in new sources).

Sensitivity analysis of value in use of the ENERGA KOGENERACJA: CGU Żychlin as part of the tests carried out as at 30 June 2022

in PLN million

DISCOUNT RATE / change	EBITDA -5%	EBITDA 0%	EBITDA 5%
- 1 p.p.	*decrease in allowance* 2	*decrease in allowance* 3	*decrease in allowance* 4
0,0 p.p.	*increase in allowance* (1)	-	*decrease in allowance* 1
+ 1 p.p.	*increase in allowance* (3)	*increase in allowance* (3)	*increase in allowance* (2)

Sensitivity analysis of value in use of the ENERGA KOGENERACJA: CGU Kalisz as part of the tests carried out as at 30 June 2022

in PLN million

DISCOUNT RATE / change	EBITDA -5%	EBITDA 0%	EBITDA 5%
- 1 p.p.	*decrease in allowance* 2	*decrease in allowance* 10	*decrease in allowance* 19
0,0 p.p.	*increase in allowance* (7)	-	*decrease in allowance* 7
+ 1 p.p.	*increase in allowance* (16)	*increase in allowance* (9)	*increase in allowance* (2)

Impairments made as at 31 December 2022 in the amount of PLN (22) million related mainly to the impairment allowances on assets of the Energy segment, identified and disclosed as at 30 June 2022 in the amount of PLN (15) million, and the impairment allowance of PLN (7) million recognized as at 31 December 2022 mainly due to discontinuation of the investment.

Assets of the Refinery and Petrochemical segment

In the 4th quarter of 2022, the total impairment loss on assets recognised so far by the ORLEN Group in the Refinery segment amounted to PLN (123) million and mainly concerned discontinuation of the PKN ORLEN's investment in the construction of a n-paraffin separation unit from reforming raw material and in the modernization of the hydrocracking installation for the total amount of PLN (111) million.

As at 31 December 2022, the ORLEN Group is in the process of verifying the impairment of assets in the Refining and Petrochemical segments.

As at 30 September 2022, the ORLEN Group do not identify any significant changes to the main assumptions as compared to the assumptions disclosed in the interim financial statements of the ORLEN Group for the first half of 2022 and recognized no evidence of impairment of refining and petrochemical assets.

Impairment tests of the assets of the Refining segment and the Petrochemical segment, for which evidence of impairment was identified as at 30 June 2022, were performed using the income method based on the discounted value of estimated cash flows from operating activities (value in use). The source of macroeconomic forecasts for refining and petrochemical assets is IHS Markit and other auxiliary sources (term curves, bank predictions, analyzes of government agencies) taking into account the following assumptions:
– Projected Model Downstream Margin (MMD) for the second half of 2022 at the level of approx. 45 USD/bbl. According to the IHS Markit forecast, MMD will remain high in 2023 due to high margins on refining products due to reduced supply from the east and increased demand after the pandemic, followed by a decline in MMD. In the period 2024-2030, IHS Markit expects a significant decline in margins to an average level of 13.7 USD/bbl.
– According to the IHS forecast, the high levels of Brent DTD crude oil prices will remain in the second half of 2022 at the level of 134 USD/bbl. In the following years, the forecast assumes a decline in prices, keeping them at the average level for 2023-2030, approx. 95 USD/bbl

- The gas price forecasts have been estimated based on the long-term IHS Markit forecast, which assumes an average price level of approx. 110 EUR/MWh for 2022-2023, and an average level of 52 EUR/MWh for 2024-2030. The adopted price forecasts for 2022-2025 additionally take into account the quotations of gas forward contracts in THE and TTF hubs, due to the fact that gas prices in the medium term are under strong pressure from the expected shortages resulting from restrictions on gas supplies from Russia.
- Crack for Gasoline (the difference between the petrol quotation and the price of crude oil) due to significant reductions in supplies from the east in 2022 and high post-pandemic demand, mainly in the USA, has been brought to record levels and it is expected that in the second half of 2022 it will amount to 306 USD/t. By the end of 2023, IHS forecasts a rapid decline to around 213 USD/t. This will be due to the increased production dictated by the still high profitability and imports, mainly from the Middle East.
- From 2024, it is assumed that Crack margins on Gasoline will stabilize from 184 USD/t in 2024 to 204 USD/t in 2030, with an average level of 209 USD/t in 2022-2030.
- Crack on diesel oil (the difference between diesel oil quotation and the price of crude oil) in 2022, after sanctions on Russia, the largest importer of medium distillates to Europe, will reach the level of 274 USD/t in the second half of 2022. The IHS forecast for 2022-2025 predicts a decrease in crack margin on diesel oil to 98 USD/t in 2025. From 2026, IHS forecasts maintain increases in diesel crack due to global demand and a lower-than-expected impact of de-dieselization until 2030. The average level of crack margin on ON for the years 2022-2030 is at the level of approx. 136 USD/t.
- Crack on kerosene (the difference between the quotation of kerosene and the price of crude oil) in 2022 fell to record lows and according to the IHS Markit forecast in the second half of 2022 it will amount to 50 USD/t. This decrease is due to the reduced petrochemical demand caused by downtime, as well as the low use for the seasonal gasoline blend. As of 2023, the IHS forecasts crack growth and a return to historical levels.
- The average level of crack margin on kerosene for the years 2022-2030 is approximately 113 USD/t.
- In 2022, the spread on Ethylene vs Kerosene (the difference between the quotation of Ethylene and the quotation of Kerosene) was assumed at the level of 660 EUR/t, in 2030 at the level of 645 EUR/t. For the period 2022-2030, the average spread is 597 EUR /t.
- In 2022, the spread for Propylene vs Kerosene was assumed at 661 EUR/t, in 2030 at 609 EUR /t. For the period 2022-2030, the average spread is 538 EUR /t.
- The financial flows for impairment tests include a gradual plan to reduce CO_2 emissions to the level of -20% in 2030 in accordance with the ORLEN Group's Decarbonisation Strategy.
- Replacement capital expenditures at a level ensuring the maintenance of the production capacity of the existing fixed assets.

As at 30 June 2022 the ORLEN Group conducted impairment tests for major production assets based on a scenario analysis. Three scenarios were defined for CGU Refinery (PKN ORLEN, ORLEN Lietuva, ORLEN Unipetrol) and CGU Petrochemicals (PKN ORLEN, ORLEN Unipetrol): baseline, pessimistic and optimistic. The baseline scenario is based on the main macroeconomic assumptions of the updated macroeconomic forecasts for 2023-2030 described above. The baseline scenario is based on the macroeconomic 2022-2030 assumptions taking into account the above-described assumptions. The pessimistic and optimistic scenarios were built on one standard deviation of the historic Downstream Margin for the years 2012-2021, on the estimated probability of the impact of CO_2 emission allowance prices on revenues from the sale of refining and petrochemical products, and on the estimated probability of REBCO crude oil availability.
For each of the scenarios, probability weights were established based on the normal distribution and expert judgment, in each case assigning a higher probability of the negative scenario materializing than the positive one, in order to maintain a conservative approach.

Impairment tests for PKN ORLEN S.A. refining assets carried out as at 30 June 2022 at the rate of 11.84% resulted in the creation of impairment allowance in the amount of PLN (2,092) million and determined the value in use at PLN 14,068 million. The main factors negatively affecting the valuation of assets are high gas prices, an increase in the discount rate, and the impact of sanctions due to the war in Ukraine, partially offset by higher forecasts of quotations of the main refinery products. As a result of the uncertainty of the impact of the 6th sanctions package in connection with the war in Ukraine in Poland, various REBCO oil availability scenarios were applied to the valuation of PKN ORLEN's refining assets. In previous years, PKN ORLEN used the differential when processing REBCO crude oil. After the elimination of purchases of Russian oil by sea, only deliveries via pipelines resulting from contacts with Rosneft and Tatneft are carried out. The estimation of flows takes into account the limited availability of REBCO crude oil included in the scenario analyses, and its substitution with more expensive available crude oils, which translates directly into higher production costs. Other write-downs of PKN ORLEN's Refinery segment assets in Q2 2022 amounted to PLN (7) million, and in Q1 2022 PLN (24) million, mainly due to damage to the catalyst.

Impairment tests of production assets of the ORLEN Lietuva Refinery segment carried out as at 30 June 2022 at the discount rate of 9.40% showed impairment in use value over the carrying amount of the tested assets, including allocated goodwill on the acquisition of UAB Mockavos terminalas, in the amount of (USD 163) million, which corresponds to PLN (713) million. Impairment includes goodwill on the acquisition of UAB Mockavos terminalas in the amount of USD (44) million, which corresponds to PLN (193) million. The value in use of ORLEN Lietuva's refining assets was set at USD 1,030 million, which corresponds to PLN 4,617 million. The estimate of cash flows assumes a complete abandonment of REBCO crude oil processing in favour of other types of crude oil.

Sensitivity analysis for impairment of value in use of the Refining segment PKN ORLEN CGU Refinery under tests carried out as at 30 June 2022

in PLN million		EBITDA	
DISCOUNT RATE: change	-5%	0%	5%
- 1 p.p.	increase in allowance (365)	decrease in allowance 1 016	decrease in allowance 2 397
0,0 p.p.	increase in allowance (1 294)	-	decrease in allowance 1 294
+ 1 p.p.	increase in allowance (2 081)	increase in allowance (863)	decrease in allowance 355

Sensitivity analysis for impairment of value in use of the Refining segment ORLEN Lietuva under tests carried out as at 30 June 2022

in PLN million		EBITDA	
DISCOUNT RATE: change	-5%	0%	5%
- 1 p.p.	increase in allowance (12)	decrease in allowance 451	decrease in allowance 914
0,0 p.p.	increase in allowance (428)	-	decrease in allowance 428
+ 1 p.p.	increase in allowance (785)	increase in allowance (387)	decrease in allowance 11

Impairment of assets of the Refining segment as at 31 December 2022 amounted to PLN (2,962) million and related to impairment identified in the fourth quarter of 2022 in the amount of PLN (123) million - mainly due to discontinuation of investments in PKN ORLEN, and identified and disclosed on as at 30 September 2022, impairment allowances in the amount of PLN (2,839) million.

At the end of 31 December 2022, the ORLEN Group identified the impairment of assets of the Petrochemical segment in the Anwil Group in the amount of PLN (11) million due to discontinuation of investments in increasing the production capacity of PCW420.

As at 30 September 2002, no indications of impairment of assets in the Petrochemical segment were recognised.

At the end of 30 June 2022, the ORLEN Group carried out impairment tests for the year of assets of the Petrochemical segment for PKN ORLEN, ORLEN Unipetrol, which did not result in the creation of impairment losses on assets of the Petrochemical segment.

Assets of the Retail segment
The total impairment loss on assets recognised so far by the Group in 2022 in the Retail segment amounted to PLN (15) million. As at 31 December 2022, the ORLEN Group is in the process of verifying the impairment of assets in the Retail segment.

Assets of the Upstream segment
As at 31 December 2022, the total impairment loss on exploration and production assets of the ORLEN Group in the Upstream segment amounted to PLN (322) million.
In the 4th quarter of 2022, the ORLEN Group recognized an impairment loss on upstream assets at Grupa LOTOS Upstream at LOTOS E&P Norge in the amount of NOK (546) million, which corresponds to PLN (245) million. The impairment allowance concerned mainly the YME field due to the delay in the drilling campaign of production and injection wells, the revision of the 2P reserves of the field from 12.56 million bbl to 10.11 million bbl, and operational problems in the form of increased waterlogging of the production wells. The value in use of LOTOS E&P Norge's production assets was set at NOK 5,915 million, which corresponds to PLN 2,638 million at nominal discount rates for particular years:

Country	*Segment / CGU*	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*
Norway	Exploration&Production	7,27%	7,19%	7,13%	7,16%	7,22%	6,79%

For the calculation of the discount rates were used the risk free rates for the years 2023-2027 based on the 10Ybonds yield curves as at 31 December 2022 for the Norwegian market. For 2028 and subsequent years, a fixed value of the risk free rate was established, calculated as the sum of Norway's inflation target and the average for 2007-2020, based on the difference between the historical 10-year bond yield and historical inflation. For subsequent years after 2028, a discount rate of 6.79% was applied.

Sensitivity analysis of the impairment in value in use of LOTOS E&P Norge's production assets relating to the YME field as part of the tests conducted as at 31 December 2022

in PLN million		EBITDA	
DISCOUNT RATE: change	-5%	0%	5%
- 1 p.p.	decrease in allowance 5	decrease in allowance 94	decrease in allowance 87
0.0 p.p.	increase in allowance (39)	-	decrease in allowance 38
+ 1 p.p.	increase in allowance (78)	increase in allowance (1)	decrease in allowance (5)

As at 31 December 2022, the ORLEN Group is in the process of further verification of the impairment of assets in the Upstream segment.

Moreover, as at 30 September 2022, the ORLEN Upstream Group made an impairment allowance on exploration assets in the amount of PLN (72) million, which related to the waiver of the Jarocin-Grabina license in the net amount of PLN (41) million and the impairment allowance disclosed as at 30 June 2022 in net amount of PLN (31) million due to the waiver of the Skołyszyn concession.

Assets of the Gas segment

As at 31 December 2022, the total impairment loss on assets in the Gas segment amounted to PLN (44) million and related mainly to fixed assets under construction as assets of Polska Spółka Gazownictwa Sp. z o. o. The ORLEN Group is in the process of further verification of the impairment of the assets of the Gas segment.

Summary of the results of the impairment analysis

The total impact of recognized net impairment losses on property, plant and equipment, intangible assets, goodwill and right-of-use assets of the ORLEN Group for the 4th quarter of 2022 amounted to PLN (447) million and for 12-month period ended 31 December 2022 amounted to PLN (3,387) million.

Net impairment losses on property, plant and equipment, intangible assets, goodwill and right-of-use assets of the ORLEN Group in 2022 by the ORLEN Group companies/capital groups:

Company/Group (PLN million)	I Q 2022 (unaudited)	II Q 2022 (unaudited)	III Q 2022 (unaudited)	IV Q 2022 (unaudited)	12 MONTH ENDED 31/12/2022 (unaudited)
PKN ORLEN	(24)	(2 102)	(3)	(127)	(2 256)
ORLEN Lietuva	1	(713)	-	(2)	(714)
ORLEN Upstream Group	-	(31)	(41)	-	(72)
ENERGA Group	(1)	(14)	(3)	-	(18)
ORLEN Deutschland	(2)	(2)	(1)	(4)	(9)
ORLEN Unipetrol	(2)	-	(1)	(15)	(18)
LOTOS Upstream Group	-	-	-	(245)	(245)
PGNiG Group	-	-	-	(41)	(41)
Other	1	2	(4)	(13)	(14)
Total	**(27)**	**(2 860)**	**(53)**	**(447)**	**(3 387)**

Net impairment allowances on property, plant and equipment, intangible assets, goodwill and right-of-use assets of the ORLEN Group in the 2022 year by the segments:

Segment (PLN million)	I Q 2022 (unaudited)	II Q 2022 (unaudited)	III Q 2022 (unaudited)	IV Q 2022 (unaudited)	12 MONTH ENDED 31/12/2022 (unaudited)
Refining	(25)	(2 811)	(3)	(123)	(2 962)
Petrochemical	-	-	-	(11)	(11)
Energy	-	(15)	(7)	(2)	(24)
Retail	(2)	(2)	(1)	(10)	(15)
Upstream	-	(32)	(40)	(250)	(322)
Gas	-	-	-	(44)	(44)
Corporate Functions	-	-	(2)	(7)	(9)
Total	**(27)**	**(2 860)**	**(53)**	**(447)**	**(3 387)**

The reversal and recognition of impairment allowances on property, plant and equipment, intangible assets, goodwill and right-of-use assets were recognised in other operating income and in other operating expenses (note 5.5).

ORLEN ORLEN GROUP (in PLN million)

5.5. Other operating income and expenses

Other operating income

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Profit on change in the ownership structure	-	-	169	-
Profit on sale of non-current non-financial assets	21	5	40	7
Gain on bargain purchase of the LOTOS Group and of the PGNiG Group	14 017	8 193	-	-
Reversal of provisions	192	116	91	52
Reversal of impairment allowances of property, plant and equipment and intangible assets and other assets	26	20	1 226	1 220
Penalties and compensations	289	105	155	77
Grants	90	35	121	102
Derivatives, incl.:	4 081	2 216	5 647	2 378
not designated for hedge accounting purposes - settlement and valuation	*3 395*	*1 875*	*5 342*	*2 298*
hedging cash flows - ineffective part concerning measurement and settlement	*292*	*227*	*17*	*5*
hedging cash flows - settlement of hedging costs	*394*	*114*	*288*	*75*
Limitation period of liabilities towards minority shareholders of ORLEN Unipetrol	-	-	184	-
Other	244	139	278	27
	18 960	**10 829**	**7 911**	**3 863**

The line gain on bargain purchase relates to the settlement of the purchase transaction of LOTOS Group and PGNiG Group shares. Detailed information in note 3.4.

Other operating expenses

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Sale of 30% of shares in Rafineria Gdańska	(519)	(519)	-	-
Loss on sale of non-current non-financial assets	(67)	(35)	(68)	(31)
Recognition of provisions	(463)	(387)	(179)	(77)
Recognition of impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets	(3 413)	(467)	(415)	(317)
Penalties, damages and compensations	(209)	(38)	(101)	(36)
Derivatives, incl.:	(7 536)	(1 509)	(3 012)	(771)
not designated for hedge accounting purposes - settlement and valuation	*(6 943)*	*(1 325)*	*(2 976)*	*(767)*
hedging cash flows - ineffective part concerning measurement and settlement	*(586)*	*(181)*	*(34)*	*(3)*
hedging cash flows - settlement of hedging costs	*(3)*	*(2)*	*(2)*	*(1)*
Other, incl.:	(561)	(349)	(223)	(57)
donations	*(315)*	*(181)*	*(97)*	*(9)*
	(12 768)	**(3 304)**	**(3 998)**	**(1 289)**

In the 12 and 3-month period ended 31 December 2022 the line recognition of impairment allowances of property, plant and equipment and intangible assets, goodwill and other assets concerned mainly recognition of impairment allowances in Refinery segment and Upstream segment in Norway. Additional information in note 5.4.

ORLEN ORLEN GROUP (in PLN million)

Net settlement and valuation of derivative financial instruments not designated as hedge accounting purposes

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Valuation of derivative financial instruments	(732)	315	420	(1 062)
commodity futures, incl.:	*(641)*	*343*	*395*	*(1 250)*
CO2 emission allowances	*(752)*	*232*	*395*	*(1 250)*
electricity	*106*	*106*	-	-
natural gas	*5*	*5*	-	-
commodity forward, incl.:	*33*	*(70)*	*(99)*	*(99)*
electricity	*20*	*(83)*	*(99)*	*(99)*
natural gas	*13*	*13*	-	-
commodity swaps	*(40)*	*124*	*124*	*287*
foreign currency swap	*(3)*	*(3)*	-	-
other	*(81)*	*(79)*	-	-
Settlement of derivative financial instruments	*(2 816)*	*235*	1 946	2 593
commodity futures, incl.:	*(645)*	*225*	3 112	2 934
CO2 emission allowances	*(646)*	*161*	*3 112*	*2 934*
diesel oil	*1*	*64*	-	-
commodity forward, incl.:	*120*	*102*	-	-
electricity	*120*	*102*	-	-
commodity swaps	*(2 333)*	*(136)*	(1 166)	(341)
other	*42*	*44*	-	-
	(3 548)	**550**	**2 366**	**1 531**

For the 12 and 3-month period ended 31 December 2022 and 31 December 2021 the change of net positions of valuation and settlement of derivative financial instruments related to operating exposure (non-designated instruments for hedge accounting purposes) mainly related to the valuation and settlement of commodity swaps hedging the refining margin, time mismatch on purchases of crude oil and valuation and settlement of CO_2 forward contracts as a part of "transaction" portfolio. Moreover this line includes the effect of valuation and settlement of commodity swaps for securing oversized stocks and bitumen hedging and securing the physical sale of finished products purchased by sea as well as electricity hedging transactions and gas. The result on a physical item, hedged by the Group with forward transactions is reflected in the profit/(loss) on sales under manufacturing costs (cost of crude oil used to manufacture refining products based on weighted average acquisition prices) and revenue from sales of refining products. Therefore, the result on the settlement of derivative financial instruments relating to the operational exposure should always be considered together with the profit/(loss) generated by the Group on the sale of a physical position.

Starting from 1 January 2022, the Group began to apply hedge accounting in relation to the hedging of time mismatches resulting from the purchase of crude oil by sea and the sale of refining products, therefore currently the valuation and settlement of commodity swaps concluded in 2022 as part of the commodity risk management strategy related to a time mismatch between the date of purchase of crude oil by sea and the date of processing and sale of refining products in the effective part are recognised under the hedge accounting equity item, and when the hedged item is realised they are recognised respectively in sales revenue or manufacturing cost. The application of hedge accounting from the beginning of 2022 to hedge a time mismatch resulting from the purchase of crude oil by sea and the sale of refining products also changed the net position of the ineffective part related to the valuation and settlement of the operating exposure. The instrument portfolio includes also derivative transactions of the merged Lotos Group and PGNiG Group.

Since 1 July 2022, PKN ORLEN has begun to apply hedge accounting for purchases to hedge risk of change of market prices of CO_2 allowances. In connection with the above, the effective part of change in fair value of hedging instrument is related to statement of financial situation in position revaluation reserve due to the application of hedge accounting, whereas the non-effective part of change in fair value of hedging instrument is related to profit and loss statement into other operating income or other operating expenses. Accumulated gains or losses related to the hedging instrument recognized in the revaluation reserve, accumulated until the date of termination of the hedging relationship, are reclassified in the period of recognition of the hedged item to intangible assets or assets held for sale, respectively. As at 31 December 2022, the value from the valuation of CO_2 hedging instruments presented in the item Hedging reserve amounted to PLN (22) million.

ORLEN ORLEN GROUP (in PLN million)

5.6. Finance income and costs

Finance income

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Interest calculated using the effective interest rate method	485	301	51	18
Other interest	1	2	-	-
Net foreign exchange gain	-	469	9	65
Dividends	61	-	3	-
Derivatives not designated as hedge accounting - settlement and valuation	1 475	112	660	222
Other	242	120	66	13
	2 264	**1 004**	**789**	**318**

Finance costs

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Interest calculated using the effective interest rate method	(733)	(346)	(332)	(89)
Interest on lease	(238)	(98)	(159)	(44)
Interest on tax liabilities	(19)	(16)	(3)	(1)
Net foreign exchange loss	(711)	-	-	-
Derivatives not designated as hedge accounting - settlement and valuation	(962)	-	(366)	(52)
Other	(165)	(16)	(108)	(25)
	(2 828)	**(476)**	**(968)**	**(211)**

Borrowing costs capitalized in the 12 and 3-month period ended 31 December 2022 and 31 December 2021 amounted to PLN (149) million and PLN (77) million and PLN (64) million and PLN (17) million, respectively.

Settlement and valuation of derivative financial instruments not designated as hedge accounting purposes related to operating exposure

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Valuation of derivative financial instruments	456	237	213	85
currency forwards	*53*	*(26)*	*(24)*	*(50)*
other, incl.:	*403*	*263*	*237*	*135*
currency interest rate swap	*55*	*(137)*	-	-
interest rate swap	*(1)*	*(3)*	-	-
currency swap	*343*	*393*	-	-
option Polimex-Mostostal	*7*	*14*	-	-
Settlement of derivative financial instruments	57	(125)	81	85
currency forwards	*149*	*(107)*	*143*	*97*
other, incl.:	*(92)*	*(18)*	*(62)*	*(12)*
currency interest rate swap	*(97)*	*(24)*	-	-
interest rate swap	*6*	*2*	-	-
	513	**112**	**294**	**170**

During the 12 and 3-month period ended 31 December 2022 and 31 December 2021 the net positions of valuation and settlement of derivative financial instruments (non-designated instruments for hedge accounting purposes) related mainly to hedging the risk of changes in exchange rates with regard to payments of invoices for crude oil in foreign currency, the currency hedge for liquidity transactions, and to hedging interest rates and payment of bonds interests. The main impact on the valuation and settlement of derivative financial instruments in the 12 and 3-month period ended 31 December 2022 the depreciation of PLN against EUR and USD currency.

5.7. Loans, borrowings and bonds

	Non-current		Current		Total	
	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021
Loans *	5 443	3 434	2 805	502	8 248	3 936
Borrowings	161	110	120	21	281	131
Bonds	6 369	10 198	4 298	906	10 667	11 104
	11 973	**13 742**	**7 223**	**1 429**	**19 196**	**15 171**

** as at 31 December 2022 and as at 31 December 2021, the line Loans includes loans in the Project Finance formula (financing obtained by special purpose companies for the implementation of investments): PLN 209 million and PLN 223 million in the non-current part and PLN 13 million and PLN 18 million in the current part, respectively.*

As at 31 December 2022 the increase in debt level of the Group compared to the previous year is mainly the result of merger with the LOTOS Group, whose consolidated debt value at the date of merger amounted to PLN 999 million (PLN 745 million of loans, PLN 2 million of borrowings and PLN 252 million of bonds) and with the PGNiG Group, whose consolidated debt value at the date of merger amounted to PLN 13,989 million (PLN 13,861 million of loans, PLN 128 million of borrowings).

During the 12-month period of 2022, as a part of cash flows from financing activities the Group has made drawings and repayments of borrowings and loans from available credit lines in the total amount of PLN 11,774 million and PLN (22,373) million.

The change in utilisation of the Group's loans and borrowings results mainly from the change in PKN ORLEN's credit exposure due to the repayment of tranches of the available syndicated loan presented in the long-term part and the usage of the overdraft presented in the short-term part, which corresponds to the total amount of net cash flows of PLN (1,295) million. At the same time, the long-term financing received from the European Investment Bank in February 2022 in the amount of EUR 180 million remains valid, which corresponds to the cash flow amount of PLN 813 million. The loan was granted to finance sustainable development investments in the ORLEN Group, including financing the investment project in ORLEN Południe "“Project and building of UCO FAME production and distillation lines” and “Building of the complex of units for production of II generation bioethanol (B2G)”. Furthermore, changes in credit exposure have also occurred in the PGNiG Group since the merger date.

During the 12-month period of 2022, as a part of cash flows from financing activities related to the bonds, the changes results mainly to:

– redemption made by PKN ORLEN of maturing bond series B, C, D and E under the second public retail bond issue program: in June 2022 with a total nominal value of PLN (400) million, in July 2022 in nominal value of PLN (200) million, in December 2022 in nominal value of PLN (200) million,
– partial redemption made by B8 Sp.z o.o. Baltic SKA of senior bonds in September 2022 in a value of USD (5.6) million which corresponds to the amount of PLN (26) million and in December 2022 in a value of USD (5.6) million which corresponds to the amount of PLN (26) million.

Also, the liability of issuance was reclassified from the long-term to the short-term part for: the issue of ORLEN Capital's Eurobond with a nominal value of EUR 750 million and the maturity date in June 2023 as well as one series of subordinated bonds of ENERGA Group with a nominal value of EUR 125 million and the maturity date in September 2023.

Additional information on active bond issues is presented in note 5.12.

As at 31 December 2022 and as at 31 December 2021 the maximum possible indebtedness due to loans and borrowings amounted to PLN 51,391million and PLN 19,063 million, respectively. As at 31 December 2022 and as at 31 December 2021 PLN 42,839 million and PLN 14,960 million, respectively, remained unused. The increase in the maximum possible indebtedness of the Group and the open credit lines to be used results mainly from:

– financial agreements signed by PKN ORLEN: in October 2022 an annex to the loan agreement amending the amount to PLN 1.1 billion with Bank Gospodarstwa Krajowego and in July 2022 loan agreement in the amount of EUR 300 million with SMBC Group entities,
– merger with the LOTOS Group S.A. together with its active financial agreements and the maximum possible indebtedness in the amount of PLN 1,315 million and the open credit lines in the amount of PLN 515 million.
– merger with the PGNiG Group together with its active financial agreements and the maximum possible indebtedness in the amount of PLN 29,384 million and the open credit lines in the amount of PLN 25,739 million.

In the period covered by these interim condensed consolidated financial statements as well as after the reporting date, there were no significant instances of violation of principal or interest repayment nor breach of loan covenants. One subsidiary of the former PGNiG Group identifies the risk of not meeting the covenant under the loan agreement, although a formal examination of the level of the ratio will take place on the basis of the consolidated audited financial statements for 2022. The company is in contact with the lending bank in order to agree on the formalities to be used to sanction the possible identification of the above default. Accordingly, the Group has reclassified the debt arising from this loan from the long-term to the short-term part in the amount of PLN 88 million.

(in PLN million)

5.8. Derivatives and other assets and liabilities

Derivatives and other assets

	Non-current		Current		Total	
	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021
Cash flow hedging instruments	1 124	68	1 452	159	2 576	227
currency forwards	*787*	*68*	*568*	*159*	*1 355*	*227*
commodity swaps	*291*	*-*	*856*	*-*	*1 147*	*-*
commodity futures	*3*	*-*	*17*	*-*	*20*	*-*
foreign currency swap	*43*	*-*	*11*	*-*	*54*	*-*
Derivatives not designated as hedge accounting	381	261	1 874	985	2 255	1 246
currency forwards	*2*	*-*	*12*	*4*	*14*	*4*
commodity swaps	*-*	*-*	*85*	*132*	*85*	*132*
currency interest rate swaps	*156*	*202*	*97*	*48*	*253*	*250*
interest rate swaps	*-*	*2*	*4*	*4*	*4*	*6*
currency swaps	*-*	*-*	*78*	*-*	*78*	*-*
commodity futures, incl.:	*191*	*42*	*714*	*796*	*905*	*838*
CO2 emission allowances	*94*	*42*	*59*	*796*	*153*	*838*
electricity	*-*	*-*	*146*	*-*	*146*	*-*
natural gas	*97*	*-*	*509*	*-*	*606*	*-*
commodity forward, incl.:	*-*	*-*	*881*	*-*	*881*	*-*
electricity	*-*	*-*	*362*	*-*	*362*	*-*
natural gas	*-*	*-*	*519*	*-*	*519*	*-*
other	*32*	*15*	*3*	*1*	*35*	*16*
Fair value hedging instruments	-	14	28	5	28	19
commodity swaps	*-*	*14*	*28*	*5*	*28*	*19*
Derivatives	**1 505**	**343**	**3 354**	**1 149**	**4 859**	**1 492**
Other financial assets	2 554	133	10 378	423	12 932	556
receivables on settled derivatives	*-*	*-*	*1 024*	*155*	*1 024*	*155*
financial assets measured at fair value through other comprehensive income	*325*	*81*	*-*	*-*	*325*	*81*
financial assets measured at fair value through profit or loss	*125*	*5*	*285*	*-*	*410*	*5*
hedged item adjustment	*-*	*-*	*8*	*-*	*8*	*-*
security deposits	*-*	*-*	*8 764*	*265*	*8 764*	*265*
short-term deposits	*-*	*-*	*86*	*-*	*86*	*-*
loans granted	*524*	*1*	*129*	*1*	*653*	*2*
purchased securities	*416*	*-*	*8*	*-*	*424*	*-*
*other **	*1 164*	*46*	*74*	*2*	*1 238*	*48*
Other non-financial assets	1 523	593	-	-	1 523	593
investment property	*607*	*327*	*-*	*-*	*607*	*327*
shares and stocks of consolidated subsidiaries	*130*	*-*	*-*	*-*	*130*	*-*
*other ***	*786*	*266*	*-*	*-*	*786*	*266*
Other assets	**4 077**	**726**	**10 378**	**423**	**14 455**	**1 149**

** The line other in the long-term part includes mainly restricted funds accumulated on separate accounts in connection with securing future costs of decommissioning of mines and deposits.*
*** The line other include mainly advances for non-current assets. The increase results from the projects related to the construction of gas and steam power plants in ENERGA Group and in the Lietuva Group of the conversion installation project and advances paid to the PGNiG Termika Group for the acquisition of the perpetual usufruct right to land and the ownership right to buildings and structures.*

As at 31 December 2022 in the position Financial assets measured at fair value through profit or loss, the Group presented the estimated fair value of the shares of companies that will be disposed as part of the implementation of the Remedies in connection with the LOTOS Group merger in the amount of PLN 285 million. Additional information in note 3.4.1.

As at 31 December 2022 and 31 December 2021, the Group has security deposits that do not meet the definition of cash equivalents concerning mainly to securing the settlement of commodity risk hedging transactions concluded with financial institutions and on commodity exchanges, in the total amount of PLN 8,741 million and PLN 250 million respectively.

The merger with the PGNiG Group had a significant impact on the increase in the value of security deposits as at 31 December 2022. The change on this account amounted to PLN 8,019 million. The other changes results mainly from the change in the valuation of hedging transactions concluded on the ICE exchange, which is a consequence of the change of crude oil, refining products and CO_2 emission allowances prices as well as of linking the trading portfolios of PKN ORLEN and Grupa LOTOS S.A. in terms of CO_2 emission allowances.

The position loans granted constitutes mainly the borrowings that are an acquired asset in connection with the mergers with LOTOS Group and PGNiG Group: for Grupa Azoty Polyolefins S.A. in the amount of PLN 232 million and for non-consolidated PGNiG Group companies in the amount of PLN 409 million.

ORLEN ORLEN GROUP (in PLN million)

Derivatives and other liabilities

	Non-current		Current		Total	
	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021
Cash flow hedging instruments	4 491	702	8 394	42	12 885	744
currency forwards	*298*	*702*	*80*	*31*	*378*	*733*
commodity swaps	*4 190*	*-*	*8 274*	*11*	*12 464*	*11*
commodity futures	*3*	*-*	*39*	*-*	*42*	*-*
hedged item adjustment	*-*	*-*	*1*	*-*	*1*	*-*
Derivatives not designated as hedge accounting	122	3	4 437	419	4 559	422
currency forwards	*2*	*-*	*71*	*21*	*73*	*21*
commodity swaps	*-*	*-*	*3 090*	*125*	*3 090*	*125*
currency interest rate swaps	*-*	*-*	*-*	*52*	*-*	*52*
foreign currency swap	*-*	*-*	*74*	*-*	*74*	*-*
commodity futures, incl.:	*30*	*3*	*616*	*122*	*646*	*125*
CO2 emission allowances	*1*	*3*	*3*	*122*	*4*	*125*
electricity	*-*	*-*	*40*	*-*	*40*	*-*
natural gas	*29*	*-*	*573*	*-*	*602*	*-*
commodity forward, incl.:	*90*	*-*	*586*	*99*	*676*	*99*
electricity	*27*	*-*	*144*	*99*	*171*	*99*
natural gas	*63*	*-*	*442*	*-*	*505*	*-*
Fair value hedging instruments	-	-	8	-	8	-
commodity swaps	*-*	*-*	*8*	*-*	*8*	*-*
Derivatives	**4 613**	**705**	**12 839**	**461**	**17 452**	**1 166**
Other financial liabilities	290	188	1 515	76	1 805	264
liabilities on settled derivatives	*-*	*-*	*1 419*	*25*	*1 419*	*25*
investment liabilities	*84*	*77*	*-*	*-*	*84*	*77*
hedged item adjustment	*-*	*14*	*28*	*5*	*28*	*19*
refund liabilities	*-*	*-*	*32*	*23*	*32*	*23*
security deposits	*-*	*-*	*26*	*18*	*26*	*18*
liabilities from contracts with customers	*9*	*9*	*-*	*-*	*9*	*9*
*other **	*197*	*88*	*10*	*5*	*207*	*93*
Other non-financial liabilities	768	407	311	62	1 079	469
deferred income	*768*	*407*	*311*	*62*	*1 079*	*469*
Other liabilities	**1 058**	**595**	**1 826**	**138**	**2 884**	**733**

* *As at 31 December 2022 and as at 31 December 2021, the line other in non-current other financial liabilities relates mainly to liabilities due to donations in the amount of PLN 90 million and PLN 26 million, and received other deposits in the amount of PLN 102 million and PLN 53 million, respectively.*

Description of changes of derivatives not designated as hedge accounting is presented in note 5.5 and 5.6.

The line receivables due to settled derivatives and liabilities due to settled derivatives refer to derivatives with a maturity date at the end of the reporting period or earlier, however the payment date falls after the balance sheet date. As at 31 December 2022 the line liabilities due to settled derivatives includes the value of mature commodity swaps hedging the refining margin and hedging bitumen. The increase in the balance of liabilities was a consequence of the increase in the prices of crude oil and refinery products and the depreciation of PLN against EUR and USD.

Deferred income as at 31 December 2022 and 31 December 2021 includes mainly the unsettled part of the grants for non-current assets received, mainly in previous years, in the amount of PLN 797 million and PLN 316 million, respectively.

5.9. Provisions

	Non-current		Current		Total	
	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021
Environmental	5 839	961	209	64	6 048	1 025
Jubilee bonuses and post-employment benefits	1 594	788	294	102	1 888	890
CO_2 emissions, energy certificates	-	-	9 832	5 474	9 832	5 474
Other	366	156	2 304	561	2 670	717
	7 799	**1 905**	**12 639**	**6 201**	**20 438**	**8 106**

A detailed description of changes in provision is presented in note 3.2.

5.10. Methods applied in determining fair value (fair value hierarchy)

As compared to the previous reporting period the Group did not change the valuation methods concerning financial instruments. Methods applied in determining the fair value were described in the Consolidated Financial Statements for 2021 in note 16.3.1.

ORLEN ORLEN GROUP (in PLN million)

In the position financial assets measured at fair value through other comprehensive income, quoted/unquoted shares not held for trading are presented. With respect to shares unquoted on active market for which there are no observable inputs, fair value is determined on the basis of expected discounted cash flows.

Fair value hierarchy

	31/12/2022		Fair value hierarchy		
	Carrying amount (unaudited)	Fair value (unaudited)	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at fair value through other comprehensive income	325	325	55	-	270
Financial assets measured at fair value through profit or loss	410	410	-	-	410
Loans granted	653	668	-	668	-
Derivatives	4 859	4 859	-	4 859	-
	6 247	**6 262**	**55**	**5 527**	**680**
Financial liabilities					
Loans	8 248	8 276	-	8 276	-
Borrowings	281	281	-	281	-
Bonds	10 667	9 982	7 596	2 386	-
Derivatives	17 452	17 452	-	17 452	-
	36 648	**35 991**	**7 596**	**28 395**	**-**

The fair value of financial assets and liabilities quoted on active markets is determined based on market quotations (i.e. Level 1). In other cases, the fair value is determined based on other input data which are directly or indirectly observable (i.e. Level 2) or unobservable inputs (i.e. Level 3).
There were no reclassifications in the Group between levels of the fair value hierarchy during the reporting and comparative period.

5.11. Future commitments resulting from signed investment contracts

As at 31 December 2022 and as at 31 December 2021 the value of future commitments resulting from investment contracts signed until that day amounted to PLN 27,194 million and PLN 19,033 million, respectively.

5.12. Issue and redemption of debt securities

The balance of debt securities liabilities as at 31 December 2022:

a) in PKN ORLEN under:
- the second public bond issue program, the last active B Series was redeemed with a nominal value of PLN 200 million; thus, the programme was terminated;
- the non-public bond issue on the domestic market C Series and D series with a total nominal value of PLN 2,000 million, remains open;
- the medium-term Eurobonds issue program on the international market, series A with a nominal value of EUR 500 million remains open;

b) in ORLEN Capital:
- the Eurobond issue with a nominal value of EUR 750 million, remains open;

c) in ENERGA Group under:
- the Eurobond issue program, a series with a nominal value of EUR 300 million, remains open;
- the subscription agreement and the project agreement concluded with the European Investment Bank, two series of subordinated bonds remain open with a total nominal value of EUR 250 million.

d) LOTOS Petrobaltic Group as part of:
- the senior bond issue program of B8 Sp. z o.o. Baltic S.K.A. seven series of issues with a total nominal value of USD 43 million (the value of outstanding bonds) remain open. The cash for the redemption of the bond instalment of USD 5.6 million was transferred by the company to the settlement agent's account on 30 December 2022, while settlement with the bondholder took place - in accordance with the provisions of the Bond Programme Agreement - on 2 January 2023.

C Series and D series of PKN ORLEN corporate bonds with a total nominal value of PLN 2,000 million was issued as a part of the sustainable and balanced grow bonds, with an ESG rating as an element. The ESG rating is assigned by independent agencies and assesses a company's or industry's ability to sustainable and balanced grow by taking into account three main, non-financial factors, such as: environmental issues, social issues and corporate governance. In terms of environmental issues, product emissions and carbon footprint, environmental pollution, as well as the use of natural resources and usage of green technologies are crucial.

A Series of PKN ORLEN Eurobonds with a nominal value of EUR 500 million was issued with a green bonds certificate, which provide financing for projects supporting environmental and climate protection. PKN ORLEN has established and published on its website the principles of green and sustainable financing, the "Green Finance Framework" which define the planned investment processes for energy transformation covered by this financing and key performance indicators were defined for these projects in terms of their advance of implementation and their impact on the environment.

Moody's Investors Service Agency upgraded the rating for PKN ORLEN's medium term Eurobonds programme twice during 2022 (in August and October) from the level of Baa2 to A3. At the same time the Agency upgraded the rating from the level of Baa2 to A3 of following Eurobonds:

- series A with a nominal value of EUR 500 million issued by PKN ORLEN referred to in point (a) above,
- with a nominal value of EUR 750 million issued by ORLEN Capital and guaranteed by PKN ORLEN referred to in point (b) above.

On 9 November 2022, the rating agency Fitch Ratings upgraded the rating from BBB- to BBB+:

- for PKN ORLEN's medium term Eurobonds programme and series A with a nominal value of EUR 500 million referred to in point (a) above,
- for Eurobonds with a nominal value of EUR 750 million issued by ORLEN Capital and guaranteed by PKN ORLEN referred to in point (b) above.

At the same time, on 17 November 2022, the rating agency Fitch Ratings upgraded the long-term rating for the medium-term Eurobond programme (EMTN) issued by ENERGA Group from BBB- to BBB+. The agency subsequently affirmed this rating on 21 December 2022.

5.13. Distribution of the Parent Company's profit for 2021 and the dividend payment in 2022

The Ordinary General Meeting of Shareholders of PKN ORLEN on 25 May 2022 decided to distribute the net profit of PKN ORLEN for the year 2021 in the amount of PLN 8,397,702,761.43 PLN as follows: the amount of PLN 1,496,981,713.50 allocate as a dividend payment (PLN 3.50 per 1 share) and the remaining amount of PLN 6,900,721,047.93 as reserve capital. The dividend date was set at 27 July 2022 and the dividend payment date at 3 October 2022.

5.14. Contingent assets

In accordance with the information published in the Financial Statements of PKN ORLEN and ORLEN Group for 2019 and 2020 and 2021, PERN S.A. (PERN) informed PKN ORLEN about differences in the quantity of the operating stock of crude oil REBCO-type (Russian Export Blend Crude Oil) in connection with the inventory of crude oil stocks supplied by the tank farm in Adamów, carried out by PERN as a pipeline system operator. At the same time, as at 31 December 2021, PERN indicated shortage in the amount of PKN ORLEN's crude oil supply delivered by sea through the PERN Manipulation Base in Gdańsk, made an unilateral adjustment of the REBCO crude oil inventory balance.

PERN maintains that the reason for the change in operating stocks is the difference in methodology of calculating the quantity of crude oil REBCO-type delivered by the tank storage in Adamów and crude oil delivered by sea. As at 31 December 2022, according to received confirmation from PERN, PKN ORLEN's operating stock of crude oil REBCO-type amounted to 513,832 net metric tons. The difference in the quantity of stocks decreased by 630 net metric tons in comparison compared to the status as at 31 December 2021 and amounted to 91,060 net metric tons.

PKN ORLEN does not agree with PERN position, because in its opinion it remains unfounded, unproven and inconsistent with the agreements binding PKN ORLEN and PERN, and the existing methodology used for calculating the quantity of crude oil REBCO-type and crude oil delivered by sea through the PERN Manipulation Base in Gdańsk and submitted by PERN to PKN ORLEN is correct and has never been questioned before.

In the opinion of PKN ORLEN the amount of adjustment of inventories recognised in 2019, 2020 and 2021 and in the 12-month period of 2022 totally in the amount of PLN (158) million is also a contingent asset of PKN ORLEN.

In connection with the disclosure by PERN of loss of crude oil belonging to PKN ORLEN and stored by PERN, PKN ORLEN issued a debit note and called for compensation on 24 July 2020 from PERN for the loss of 90,356 net metric tons of crude oil REBCO-type and related unlawful reduction of crude oil inventories of PKN ORLEN, which PERN should keep in its storage and transmission system in the amount of PLN 156 million. PERN did not pay this amount within the deadline specified in the debit note. Consequently, in the period from 30 July 2020 to 19 May 2021 PKN ORLEN has been satisfying PERN's claims for issued invoices by way of statutory deductions with the claim for compensation.

On 1 October 2021 PERN initiated court proceedings in which it demands PKN ORLEN to be ordered to pay PLN 156 million with interest and a lump-sum compensation for recovery costs, which PKN ORLEN previously deducted from PERN's remuneration. PERN questions the effectiveness of the deductions made by PKN ORLEN. On 31 January 2022, PKN ORLEN responded to PERN's claim, demanding that PERN's claim be dismissed. PKN ORLEN does not agree with PERN's position presented in the lawsuit filed by PERN. PKN ORLEN disagrees with the position of PERN presented in the lawsuit filed by PERN. In the opinion of PKN ORLEN, PERN's claims are groundless and do not exist, as the amount of PLN 156 million claimed by PERN was effectively deducted from PKN ORLEN's claim for compensation. Court proceedings are pending.

Due to the loss by PERN of further (in relation to the loss covered by the debit note of 24 July 2020) 1,334 net metric tons of REBCO crude oil owned by PKN ORLEN, which PERN was obliged to store and not confirmed in the balance according to the records as at 31 December 2021, on 21 January 2022, PERN received a request for payment along with a debit note for the disclosed further oil loss in the system. PERN did not make the payment resulting from the debit note, and therefore PKN

ORLEN set off a claim for compensation for another loss in the amount of PLN 2.6 million against PERN's claims for invoices issued for the transport of the raw material.
As at 31 December 2022, in accordance with the document "Balance of crude oil as at 31.12.2022" provided by PERN.
PERN made another one-sided adjustment in minus the inventory records of crude oil belonging to PKN ORLEN in amount of 1,921 tons net. As a consequence, a loss of REBCO oil in the volume of 146 tonnes was disclosed, which is the difference between the total volume of loss covered by the debit notes of 24 July 2020 and 21 January 2022 and the REBCO oil loss reported as at 31 December 2022. PKN ORLEN will take further legal steps to secure claims arising from the loss disclosed by PERN at the end of 2022.

5.15. Contingent liabilities

Information concerning significant proceedings in front of court, body appropriate for arbitration proceedings or in front of administration bodies in which the companies of the ORLEN Group act as the defendant:

Claim of Warter Fuels S.A. (formerly: OBR S.A.) against PKN ORLEN for compensation
On 5 September 2014, OBR S.A. (currently: Warter Fuels S.A.) filled an action against PKN ORLEN with the District Court in Łódź for a claim for payment in respect of an alleged breach by PKN ORLEN of patent rights. The amount of the claim in the lawsuit was estimated by Warter Fuels S.A. in the amount of PLN 84 million. The claim covers the adjudged sum of money from PKN ORLEN for Warter Fuels S.A. in the amount corresponding to the value of the license fee for the use of the solution under the above patent and adjudge the obligation to repay the benefits derived from the use of this solution. On 16 October 2014 PKN ORLEN responded to the lawsuit. By the procedural document from 11 December 2014 the value of the dispute was referred to by the plaintiff in the amount of PLN 247 million. So far, several hearings have been held, during which witnesses submitted by the parties were heard by the court. The court appointed an expert to prepare an opinion in the case of the University of Technology and Economics in Budapest. Experts from the Budapest University of Technology and Economics are in the process of preparing an opinion.

POLWAX S.A. - ORLEN Projekt S.A. dispute

I. Case filed by ORLEN Projekt against POLWAX for the payment of PLN 6.7 million, pending before the District Court in Rzeszów, case file no. VI GC 225/19

On 23 May 2019 the Court issued a warrant for payment to ORLEN Projekt in a writ of payment proceedings covering the entire amount claimed. On 27 November 2020, the District Court issued a judgment in the case, according to which (i) upheld the payment order in full with respect to the claimed principal amount of PLN 6.7 million as well as with respect to the overdue interest for delay in commercial transactions from 2 October 2019 to the date of payment; (ii) revoked the payment order issued dated on 23 May 2019 for the payment of a part of the overdue interest, i.e. in the amount of PLN 3 million from 11 January 2019 to 1 October 2019 and in the amount of PLN 3.7 million from 25 January 2019 to 1 October 2019.
Both parties appealed against the judgement, POLWAX appealed against it in its entirety, whereas ORLEN Projekt appealed against the part in which the Court revoked the payment order concerning payment of statutory overdue interest for delay in commercial transactions. Currently the case is considered by the Court of Appeals in Rzeszów under the file number I AGa 20/21. On 10 November 2022, the Court of Appeal announced its verdict, according to which it upheld the payment order issued by the District Court in its entirety and awarded POLWAX to ORLEN Projekt with the costs of the lawsuit. The judgment of the court of second instance is final. POLWAX filed a cassation appeal against the judgment of the Court of Second Instance to the Supreme Court.

II. Case filed by ORLEN Projekt against POLWAX for the payment of PLN 67.8 million, pending before the District Court in Rzeszów, case file no. VI GC 201/19

In the case, ORLEN Projekt claims from POLWAX the payment of a total amount of PLN 67.8 million together with overdue interest for delay consists of: (i) remuneration for completed construction works and deliveries, (ii) unjustifiably executed performance guarantee, and (iii) costs related to ORLEN Projekt's withdrawal from the contract. The court has already heard all the witnesses and parties in the case. The proceedings have been suspended until the case heard by the Court of Appeal in Rzeszów under file no. act I AGa 20/21. In connection with the issuance by the Court of Appeal in Rzeszów on 10 November 2022 of the judgment in the case under reference number I AGa 20/21, on 22 November 2022, the ORLEN Projekt filed a motion for the District Court to resume the suspended proceedings. The application has not yet been recognized.

III. Case filed by POLWAX against ORLEN Projekt for the payment of PLN 132 million, pending before the District Court in Rzeszów, case file no. VI GC 84/20

The claim submitted by POLWAX against ORLEN Projekt includes PLN 84 million for material damage and PLN 48 million for lost profits that were supposed to arise in connection with improper performance and non-performance of the contract by ORLEN Projekt. The proceedings have been suspended at the joint request of the parties. On 21 October 2021 the court, on the application of POLWAX, made an order to resume the suspended proceedings. On 20 April 2022, the proceedings were suspended until the case: (i) considered by the Court of Appeal in Rzeszów under file no. act I AGa 20/21; (ii) heard by the Regional Court in Rzeszów, file no. VI GC 201/19. On 22 November 2022, the Court of Appeal in Rzeszów allowed ORLEN Projet complaint against the decision of the District Court to suspend the proceedings and issued a decision by which it overturned the challenged decision of the District Court.

IV. Case filed by POLWAX against ORLEN Projekt for the payment of PLN 9.9 million, pending before the District Court in Rzeszów, case file no. VI GC 104/20

POLWAX claims from ORLEN Projekt the payment of PLN 9.9 million together with overdue interest for delay consists of: (i) reimbursement of costs of removal and disposal of waste in the form of contaminated land from the Project area, and (ii) non-contractual storage of land from the Project area on plot no. 3762/70 belonging to POLWAX. So far, nine hearings have been held in the case. The next meeting was held on 6 February 2023, at which PKN ORLEN submitted a copy of POLWAX S.A.'s notification of the possibility of committing a crime, requesting the suspension of civil proceedings until the criminal case is resolved. The court adjourned the hearing indefinitely.

V. Case filed by POLWAX against ORLEN Projekt for the removal of movable property, pending before the District Court in Tychy, case file no. VI GC 120/20

POLWAX demanded that the Court obliges ORLEN Projekt to restore the legal status by emptying warehouses submitted to ORLEN Projekt in order to store equipment and materials for the purposes of the conducted investment. So far, six hearings have been held in the case. At the hearing on 23 June 2022, the Court heard the defendant, admitted evidence from an expert witness and adjourned the hearing without a time limit. A court expert prepared an opinion which was delivered to both parties. On 13 February 2023 ORLEN Projekt raised objections to the expert's opinion. POLWAX did not raise any objections to the expert's opinion, indicating that the opinion only confirms the claimant's position in this proceeding.

In the opinion of ORLEN Projekt, the claim is without merit, therefore the company did not recognise the provision.

Technip Italy S.p.A. v ORLEN Unipetrol RPA, s.r.o.

In connection with the delay in execution of the Agreement concluded between Technip Italy S.p.A. ("Technip") and ORLEN Unipetrol for the construction of the Polyethylene Plant in Litvinov, Technip was obliged to pay contractual penalties for the delay in the amount of PLN 108 million, translated using the exchange rate as at 31 December 2022 (representing EUR 23 million). Technip did not pay the above mentioned contractual penalties to ORLEN Unipetrol, therefore ORLEN Unipetrol activated the bank guarantee in the amount of PLN 98 million, translated using the exchange rate as at 31 December 2022 (representing EUR 21 million).

On 17 August 2020, Technip called for arbitration. In November 2020, ORLEN Unipetrol claimed an offset of the remaining contractual interest from the invoice issued by Technip for the remaining part of the contractual remuneration: the outstanding amount of contractual interest for delay is PLN 8.8 million translated using the exchange rate as at 31 December 2022 (corresponding to EUR 1.8 million).

On 30 November 2020, ORLEN Unipetrol submitted a reply to the statement of claim and filed a counterclaim for the outstanding contractual interest for delay in the amount of PLN 8 million translated using the exchange rate as at 31 December 2022 (corresponding to EUR 1.8 million).

On 5 January 2021, Technip submitted an amendment to the demand for arbitration increasing the total amount of the claim to PLN 140 million translated using the exchange rate of 31 December 2022 (corresponding to EUR 28.8 million).

The arbitration proceedings are pending before the Court of Arbitration at the International Chamber of Commerce in Vienna. On 16 November 2022, the Court of Arbitration issued the judgment against Unipetrol RPA s.r.o. in favour of Technip in the amount of PLN 0.04 million, translated using the exchange rate as at 31 December 2022 (corresponding to EUR 0.01 million), including interest, and dismissed Technip's other claims against Unipetrol. In addition, Technip was ordered to pay other interest for contractual penalties, arbitration costs and legal assistance costs. The case is legally closed.

Contingent liabilities related to the ENERGA Group

As at 31 December 2022, the contingent liabilities of the ENERGA Group recognised in these interim condensed consolidated financial statement of the ORLEN Group amounted to PLN 260 million.

The largest item of contingent liabilities of the ENERGA Group consists of legal claims relating to the power infrastructure of Energa-Operator S.A. located on private land. The Group recognises provisions for filed legal claims. If there is uncertainty as to the validity of the amount of the claim or legal title to land, the Group recognises contingent liabilities. As at 31 December 2022, the estimated value of those claims recognised as contingent liabilities amounts to PLN 240 million, while as at 31 December 2021 its value amounted to PLN 249 million. Considering the legal opinions, the estimated amounts represent a risk of liability of less than 50%.

Arbitration procedure brought by Elektrobudowa S.A. against PKN ORLEN

Elektrobudowa S.A. filed an action against PKN ORLEN with the Arbitration Tribunal of the Polish Consulting Engineers and Experts Association (SIDIR) of Warsaw (case No. P/SA/5/2019), seeking payment of a total of PLN 104 million and EUR 11.5 million. The case concerns performance of the EPC contract between PKN ORLEN and Elektrobudowa S.A. for the construction of a metathesis unit. The amount in dispute includes:

1) PLN 20.6 million and EUR 7.6 million plus statutory default interest, alleged to be payable under the EPC Contract to Elektrobudowa S.A. or, alternatively, to Citibank if the consideration is found to be payable to Citibank following assignment;
2) PLN 7.8 million and EUR 1.26 million plus statutory default interest accrued since 23 October 2018 for additional and substitute works, alleged to be payable to Elektrobudowa S.A. or Citibank (see above);
3) PLN 62.4 million plus statutory default interest since 27 December 2019 as remuneration by reference to which the lump-sum should be increased in favour of Elektrobudowa, or Citibank as above;

4) PLN 13.2 million and EUR 2.6 million plus statutory default interest accrued since 25 October 2019, alleged to be payable to Elektrobudowa S.A. for the harm it suffered as a result of wrongful drawdown of funds by PKN ORLEN under bank guarantees.

On 13 September 2021 the Bankruptcy Trustee extended the claim by PLN 13.2 million and EUR 2.6 million constituting a claim for return of the amounts retained as a Guarantee Deposit with statutory overdue interest from 24 March 2021 to the date of payment.

According to information published in Consolidated Financial Statements for the year 2021, as a result of the Arbitration Tribunal's rulings, against which PKN ORLEN was not entitled to appeal, the Company has paid the Bankruptcy Trustee a total of PLN 10.01 million and EUR 5.52 million so far, plus statutory interest for delay in payment. These amounts related mainly to partial payments of the contractual remuneration, as well as remuneration for additional works.

Within 12 months of 2022, the Arbitration Tribunal issued the following rulings:

(I) The interim judgement (No.4) of 7 February 2022 regarding Elektrobudowa's claims for compensation of PLN 0.4 million as additional remuneration for constructing K-1 Chamber in a method different from that specified in the original construction design, whereupon the Adjudicating Team decided that this claim was justified in principle. The interim judgement does not state that PKN ORLEN is obliged to pay the above-mentioned amounts to the claimant, but it is an expression of the Adjudicating Team that Elektrobudowa is entitled to expect payment from PKN ORLEN for the above-mentioned material scope as additional.

(II) The interim judgement (No.5) of 15 February 2022 regarding Elektrobudowa's claims for compensation of PLN 5.3 million amount as additional remuneration for the construction of the Cold Weather Station building in a method different from the Agreement whereupon the Adjudicating Team decided that this claim was justified in principle. The interim judgement does not state that PKN ORLEN is obliged to pay the above-mentioned amounts to the claimant, but it is an expression of the Adjudicating Team that Elektrobudowa is entitled to expect payment from PKN ORLEN for the above-mentioned material scope as additional.

(III) Partial Judgment (No. 10) of 15 April 2022 ordering the defendant to pay the plaintiff the amount of PLN 0.5 million and EUR 0.8 million with interest for late payment until the date of payment as additional remuneration and partial remuneration for deliveries of equipment. The awarded amounts were covered by previously issued preliminary judgments (2) and (3).

(IV) Partial Judgment (No. 11) of 26 May 2022, stating that PKN ORLEN unsuccessfully deducted PLN 5.8 million and EUR 0.4 million from the remuneration claimed by Elektrobudowa in the part retained by PKN ORLEN under 15.2 of the Agreement. The judgment is not an award judgment.

(V) Partial judgment (no. 12) of 30 June 2022, ordering to pay the plaintiff a total amount of PLN 11.9 million and EUR 2.4 million with interest for delay on account of partial remuneration for the detainee as a guarantee deposit.

(VI) Partial judgment (no. 13) of 5 December 2022, ordering to pay the plaintiff a total amount of PLN 0.15 with interest for delay as remuneration for the execution of the Instructions for preparing the installation for operation after renovation and dismissing the claim for the amount of PLN 0.10 as the remaining part of this claims.

(VII) Partial judgment (no. 14) of 30 December 2022, ordering to pay the plaintiff the amount of PLN 0.3 million net as additional remuneration for the execution of a different K-1 chamber than provided for in the construction design, together with statutory interest for delay and the amount of PLN 5.3 million net as additional remuneration for the construction of another building of the Zimna Station than provided for in the construction design, together with statutory interest. The amounts awarded are the amounts referred to earlier in the preliminary judgments (4) and (5).

The main receivables awarded in partial judgments (No. 10) and (No. 12) were paid by PKN ORLEN in full to the receiver.

The total value of provisions recognised as at 31 December 2022 in connection with the pending proceedings with Elektrobudowa amounted to PLN 76 million.

Contingent liabilities acquired as a result of merger transactions with LOTOS Group and PGNiG Group

The following is a description of the material contingent liabilities relating to the former LOTOS Group companies and the former PGNiG Group companies acquired by the Group in merger transactions, a description of which is provided in note 3.4. In accordance with the requirements of IFRS 3, as part of the accounting for merger transactions, the Group should recognise contingent liabilities assumed in a business combination at the acquisition date, even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the liability. At the date of these interim condensed consolidated financial statements, the accounting for the merger with the LOTOS Group and the merger with PGNIG has not been completed. Thus, the contingent liabilities described below will be measured at fair value in subsequent reporting periods and will be taken into account as part of the purchase price allocation process in the fair value of the net assets acquired.

AGR Subsea Ltd. and LOTOS Petrobaltic S.A. dispute

In March 2013, LOTOS Petrobaltic S.A. received a call for payment from AGR Subsea Ltd. ("AGR") for approximately GBP 6.5 million as the contract sum payable to AGR for dredging the Baltic Beta rig's legs. In response, LOTOS Petrobaltic S.A. challenged the amount claimed by AGR and proposed the payment to AGR in the amount of PLN 16 million (corresponding to GBP 3.2 million translated using the average exchange rate of the National Bank of Poland as at 31 December 2012). The dispute between the parties concerns the nature of the contract, reasons for its execution after the due date and incomplete, as well as validity of its termination by LOTOS Petrobaltic S.A., and the demand for reimbursement of costs incurred to employ the alternative contractor engaged by LOTOS Petrobaltic S.A. to complete the work (counterclaim against AGR for payment in the amount of GBP 5.6 million) AGR Subsea Ltd. took its claim to court. On 11 December 2020, the Court issued a judgement

awarding the full claimed amount to AGR, i.e. GBP 6.5 million together with overdue interest, reimbursement of court expenses and legal representation costs, and dismissed LOTOS Petrobaltic S.A.'s claim.
In view of the fact that the notice, stating the date of the Court's closing hearing and announcement of the judgement, was not effectively delivered to LOTOS Petrobaltic S.A.'s attorney, the attorney, without his fault, did not participate in the closing hearing held on 27 November 2020. The attorney did not know the date of publication of the judgement issued on 11 December 2020, did not attend the date of publication, nor learn its contents.
In a view of the information obtained by LOTOS Petrobaltic S.A, during the Court hearing held in March 2021, the objections were presented to the Court regarding AGR's judicial and procedural capacity, its legal standing and proper authorisation of its attorneys. These doubts arose, following the knowledge in March 2021, about the announcement on 25 May 2015 of a Winding-up procedure with respect to AGR and appointment of a Liquidator to administer the affairs and represent AGR.
On 2 April 2021, LOTOS Petrobaltic S.A. lodged a complaint for the resumption of proceedings in the case. On 18 May 2021, LOTOS Petrobaltic S.A. applied to the Regional Prosecutor's Office in Gdańsk with a request to bring an action for the resumption of proceedings in the cases No IX GC 811/13 and No IX GC 12/15. The complaint of the Regional Prosecutor's Office in Gdańsk for the resumption of proceedings in the combined cases was filed with the Court on 12 August 2021.
On 9 December 2021, AGR applied for enforcement of the judgement. By a decision of 13 December 2021 issued in case IX GC 696/21 (request for resumption of proceedings – complaint of the Regional Prosecutor's Office), the Regional Court in Gdańsk suspended the enforceability of the judgement of 11 December 2020 covered by the enforcement motion. AGR's enforcement motion was dismissed by the Court ordered on 15 December 2021.
Proceedings are currently underway in the context of:
- LOTOS Petrobaltic S.A. complaint for the resumption of proceedings (IX GC 1031/21), and
- the Regional Prosecutor's Office in Gdańsk complaint for the resumption of proceedings(IX GC 696/21).
As at 31 December 2022 the total value of provisions recognised in connection with the pending proceedings amounted to PLN 50 million.

Ex. Grupa LOTOS S.A. tax settlements
Following the merger PKN ORLEN with Grupa LOTOS S.A. on 1 August 2022, PKN ORLEN as a legal successor of Grupa LOTOS S.A. became a party to the following tax proceedings.
Ex. Grupa LOTOS S.A. tax settlements are subject to customs and tax inspections carried out by the tax inspection authorities. On 21 January 2022 ex. Grupa LOTOS S.A. was notified of the results of two customs and tax inspections for the period of January−October 2014 and October−December 2015, issued on 7 January 2022. As a result of these inspections, input VAT settlements by the Company, for a total amount of PLN 23.3million (net of interest), were questioned. The company has not filed corrections to the VAT returns for the aforementioned periods as required by the authority, because it was of the opinion that there are arguments in favour of taking a different course of action. Due to the failure to submit the corrections by the company, the tax authority (Head of the Pomeranian Customs and Fiscal Office in Gdynia) will initiate tax proceedings (transform customs and tax inspections into two tax proceedings) and issue decisions (both in the first and second instance). It will be possible to file complaints against the decision of the authority of second instance with the Provincial Administrative Court in Gdańsk, and if the court reaches an unfavourable verdict, it will be possible to file a cassation complaint with the Supreme Administrative Court.
In connection with a judgement by the Court of Justice of the European Union of October dated 16 October 2019 in Case C-189/18 Glencore, on 15 January 2020 the company requested for resumption of proceedings in which the following decisions had been issued:
– decision by the Director of the Tax Chamber in Gdańsk, dated 29 December 2015, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated 28 September 2015, assessing the company's VAT liabilities for individual months of 2010 at a total amount of PLN 48.4 million,
– decision by the Director of the Tax Chamber in Gdańsk, dated 29 February 2016, upholding the decision by the Director of the Tax Audit Office in Bydgoszcz, dated 28 September 2015, assessing the company's VAT liabilities for individual months of 2011 at a total amount of PLN 112.5 million,
– decision by the Director of the Tax Administration Chamber in Gdańsk, dated 25 October 2018, upholding the decision by the Head of the Gdańsk Province Customs and Tax Office in Gdynia, dated 19 January 2018, assessing the company's VAT liabilities for January 2012 at a total amount of PLN 7.3 million,

after resumption of the proceedings, for:
– reversal of the decisions by the tax authorities of both instances and discontinuation of the tax proceedings – with respect to the proceedings for 2010–2011;
– suspension of the proceedings until final conclusion of the court proceedings – with respect to the proceedings for 2012, in connection with proceedings pending before the Supreme Administrative Court, initiated by the company's cassation complaint.

On 8 October 2020, the Head of the Tax Administration Chamber in Gdańsk upheld the decisions of the Head of the Tax Chamber in Gdańsk, dated 29 December 2015 and 29 February 2016. On 23 November 2020, the company appealed against the unfavourable decisions of the Head of the Tax Administration Chamber in Gdańsk. On 23 December 2020, the Head of the Tax Administration Chamber in Gdańsk issued decisions refusing to revoke its decision of 8 October 2020, against which the company filed complaints with the Provincial Administrative Court in Gdańsk. On 15 June 2021, the Provincial Administrative

Court of Gdańsk dismissed the company's complaints against refusal to reverse the final decisions concerning determination of VAT liabilities for the individual months of 2010 and 2011. On 10 September 2021, the company appealed in cassation against the judgements of the Provincial Administrative Court of Gdańsk to the Supreme Administrative Courts.
As at 31 December 2022, Group disclosed a provision for tax risk, recognised in connection with such proceedings, in the amount of PLN 98.4 million.

LOTOS Exploration and Production Norge AS tax settlements

Due to the crisis caused by the COVID-19 pandemic and the sharp decline in commodity prices, the Norwegian government introduced a provisional tax regime for 2020-2021 that allowed companies investing on the Norwegian continental shelf to directly expense capital expenditure and to receive an immediate refund of the tax loss incurred in each of the years. With these solutions, the effective tax rate is significantly lower than the 78% applied in 2021. In September 2020, the company submitted a letter to the tax authorities, in which it commented its position to the preliminary decision of the Oil Taxation Office ("OTO") concerning thin capitalisation in 2015–2016, along with its response to the 'deviation notice' for the following years 2017 and 2018. In its preliminary decision, the OTO challenges the inclusion of all debt service costs and exchange rate differences on debt financing in the company's tax-deductible costs due to the company's equity being too low at that time. In the first case, the expected tax surcharge for 2015 and 2016 is NOK 175 million. The estimated amount to be paid for 2017 and 2018 is NOK 20 million, while the letter relating to this period does not yet have the status of a tax decision. The OTO has extended the period under investigation by one year, so the second matter is investigated for years 2017-2019. The company was creditworthy during that period and, therefore, no provision was recognised for the stated amount. Furthermore, in its tax declaration for 2017 and 2019 the company did not include in its taxable base, the finance income arising from foreign exchange rates realised on loans in the case of which the OTO had previously questioned the financial costs as deductible. Tax deductions made on this accounted totally to NOK 88 million (2017: NOK 52 million; and 2019: NOK 36 million). In May 2022 the OTO issued a final tax decision for 2015–2016, with tax surcharge set in the amount of NOK 170 million together with overdue interest. That amount together with overdue interest will be paid on 1 December 2022. The company has time to appeal this decision until 31 March 2023. Subsequently, in August 2022, the OTO issued a preliminary decision for 2017-2019, with tax surcharge set in the amount of approximately NOK 95 million together with overdue interest. The company will prepare a response to the decision by 31 March 2023.
As at 31 December 2022 the total value of provisions recognised in connection with the pending proceedings amounted to PLN 34 million.

Settlements for natural gas supplied under the Yamal Contract and suspension of natural gas supplies by Gazprom

On 31 March 2021, Decree of the President of the Russian Federation No. 172 "On a special procedure for the performance of obligations of foreign buyers towards Russian natural gas suppliers" (the "Decree") was published, following which Gazprom requested PGNiG to amend the terms and conditions of the Yamal Contract, among others by introducing settlements in Russian rubles.
On 12 April 2022, the Management Board of PGNiG S.A. decided to continue settling PGNiG's liabilities for gas supplied by Gazprom under the Yamal Contract, in accordance with its applicable terms, and not to consent to PGNiG's performance of its settlement obligations for natural gas supplied by Gazprom under the Yamal Contract, in accordance with the provisions of the Decree.
From 27 April 2022, from 8:00 am CET Gazprom completely suspended natural gas deliveries under the Yamal Contract, citing the Decree's prohibition on delivering natural gas to foreign buyers from countries "unfriendly to the Russian Federation" (including Poland), if payments for natural gas supplied to such countries starting from 1 April 2022, will be made contrary to the terms of the Decree.
In response, PGNiG took steps to protect the Company's interests under its contractual rights, including: call for deliveries and compliance with settlement conditions, etc. terms of the agreement binding the parties until the end of 2022.
By 31 December 2022, natural gas supplies had not been resumed by Gazprom, the supplier refused to make settlements based on the applicable contractual conditions. Pursuant to PGNiG's declaration of intent of 15 November 2019, the Yamal Contract expired at the end of 2022, and disputes arising during its term are pending.

Claim by B. J. Noskiewicz against Exalo S.A.(Exalo) for payment of rent and damages

On 9 February 2015. B.J. Noskiewicze filed an action against Exalo (formerly Poszukiwania Nafty i Gazu Jasło sp. z o.o.) seeking payment of a total of PLN 130 million. The demand of the claim includes an adjudication for a fee for the use of a property owned by the plaintiffs (occupied by the Company for the purpose of drilling a geothermal water well) and compensation for lost income. The plaintiffs claim that the property was not properly returned to them upon completion of the works. Exalo has filed a response to the claim. Exalo argues (based on expert opinions) that it completed the use of the property within the contractual deadline, removed all equipment and movable property, the site was cleaned up and rehabilitated, and therefore properly offered and released the property to the owners in 2012, so that the claim for both any fees for the period after that date and damages is completely unjustified. The proceedings are currently suspended. A full assessment of the risk of an unsuccessful outcome can be made at a later stage of the proceedings taking into account Exalo's arguments. In Exalo's opinion, the claim is without merit.
As at 31 December 2022 the total value of provisions recognised in connection with the pending proceeding amounted to PLN 35 million.

Veolia Energia Warsaw's claim against PGNiG Termika S.A. (Termika)

On 21 February 2018, PGNiG TERMIKA received a claim for payment in respect of the execution of the agreement for services for the development of the heat market in Warsaw, brought by Veolia Energia Warszawa S.A. to the District Court in Warsaw. On 29 June 2018, PGNiG TERMIKA filed a response to the lawsuit, where it addressed the plaintiff's claims. Veolia Energia

ORLEN ORLEN GROUP (in PLN million)

Warszawa S.A. originally claimed PLN 5.7 million as payment under the agreement, and later extended the claim by PLN 66.6 million, i.e. to PLN 72.3 million, representing further tranches of remuneration under the agreement. Further pleadings are being exchanged in the case. In the opinion of PGNiG TERMIKA, the agreement for the provision of services for the development of the heat market in Warsaw is invalid, as it violated mandatory provisions of law. Due to the precedent-setting and particularly complicated nature of the case in question, it is not possible to assess the risk of an unfavourable outcome.
As at 31 December 2022 the total value of provisions recognised in connection with the pending proceedings amounted to PLN 118 million.

Except of described above proceedings, the Group has not identified any other significant contingent liabilities.

5.16. Related parties transactions

5.16.1. Transactions of the key executive personnel and their relatives with related parties of the ORLEN Group

As at 31 December 2022 and as at 31 December 2021 and in the 12 and 3-month period ended 31 December 2022 and 31 December 2021, on the basis of submitted declarations, there were no transactions of related parties of the ORLEN Group with the Members of the Management Board and the Supervisory Board of the Parent Company and their relatives.

In the 12 and 3-month period ended 31 December 2022 and 31 December 2021, on the basis of submitted declarations, there were mainly sales transactions of the members of key executive personnel and their relatives of the ORLEN Group companies with related parties of the ORLEN Group in the amount of PLN 1.8 million and PLN 0.6 million and PLN 4.8 million and PLN 0.5 million, respectively. The largest amount in 2022 was related to the sale of legal services, and in 2021, the sale of shares in a company from the ORLEN Group by a shareholder who is a member of the key personnel.

As at 31 December 2022 and as at 31 December 2021 balances of the trade and other liabilities due to the above transactions amounted to PLN 0.1 million in both years.

5.16.2. Remuneration of key executive personnel of the Parent Company and the ORLEN Group companies

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Parent Company				
Short-term employee benefits	58.4	18.2	50.8	13.2
Post-employment benefits	0.3	0.3	0.1	0.1
Other long term employee benefits	(0.2)	(0.2)	-	-
Termination benefits	0.8	0.2	0.3	0.3
Subsidiaries				
Short-term employee benefits	363.4	106.1	296.5	79.4
Post-employment benefits	1.0	0.6	0.5	0.3
Other long term employee benefits	1.9	0.6	0.8	-
Termination benefits	7.5	2.5	6.5	1.2
	433.1	**128.3**	**355.5**	**94.5**

The above table presents remuneration paid and due or potentially due to the key management personnel of the Parent Company and subsidiaries in the reporting period.

5.16.3. ORLEN Group companies' transactions and balances of settlements with related parties

	Sales				Purchases			
	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Jointly-controlled entities	**5 204**	**1 459**	**3 156**	**1 236**	**(865)**	**(327)**	**(354)**	**(118)**
joint ventures	*4 883*	*1 336*	*2 985*	*1 179*	*(588)*	*(162)*	*(254)*	*(81)*
joint operations	*321*	*123*	*171*	*57*	*(277)*	*(165)*	*(100)*	*(37)*
Other related parties	**37**	**37**	**-**	**-**	**(56)**	**(56)**	**-**	**-**
	5 241	**1 496**	**3 156**	**1 236**	**(921)**	**(383)**	**(354)**	**(118)**

	Trade receivables, other receivables and loans granted		Trade, lease and other liabilities	
	31/12/2022 (unaudited)	31/12/2021	31/12/2022 (unaudited)	31/12/2021
Jointly-controlled entities	**1 398**	**844**	**389**	**154**
joint ventures	*1 291*	*819*	*167*	*134*
joint operations	*107*	*25*	*222*	*20*
Other related parties	***138***	**-**	***21***	**-**
	1 536	**844**	**410**	**154**

The above transactions with related parties include mainly sales and purchases of refining and petrochemicals products and services.

ORLEN GROUP (in PLN million)

Additionally, during the 12 and 3-month period ended 31 December 2022, based on submitted declarations, there were transactions between entities, in which key positions were held by close relatives with the other key management personnel of the Parent Company and ORLEN Group companies and entities of the ORLEN Group.

In the 12 and 3-month period ended 31 December 2022 and as at 31 December 2022, the Group identified the following transactions:

- sales amounted to PLN 2 million and PLN 0.5 million, respectively;
- purchase amounted to PLN (10) million and PLN (1.7) million, respectively;
- balance of receivables amounted to PLN 0.2 million;
- balance of liabilities amounted to PLN 3 million.

The above transactions concerned mainly the purchases and sales of fuels, fuel additives and diesel oil, pellets and foil.

Additionally, in the 12-month period ended 31 December 2022, on the basis of a declaration submitted by the managing person, a link was indicated in terms of shares held in a related party, demonstrated by a relative of a key personnel member of the ORLEN Group. The number of shares shown as at 31 December 2022 amounted to 8000 with a nominal value of PLN 0.8 million.

During the 12 and 3-month period ended 31 December 2022 and 31 December 2021 there were no related parties transactions within the Group concluded on other than an arm's length basis.

5.16.4. Transactions with entities related to the State Treasury

As at 31 December 2022 and as at 31 December 2021, the State Treasury owns respectively 49.9% and 27.52% of the Parent Company of the ORLEN Goup's shares- PKN ORLEN.
The Group identified transactions with related parties, which are also parties related to the State Treasury, based on the "List of companies with State Treasury share" provided by the Prime Minister's Office.

During the 12 and 3-month period ended 31 December 2022 and 31 December 2021 and as at 31 December 2022 and as at 31 December 2021, the Group identified the following transactions:

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Sales	13 514	4 368	4 953	2 184
Purchases	(32 372)	(7 115)	(9 653)	(4 075)

	31/12/2022 (unaudited)	31/12/2021
Trade and other receivables	2 378	687
Trade and other liabilities	3 652	1 571

Above transactions were concluded on an arm's length basis, were related to the ORLEN Group current operating activities and concerned mainly fuel sales, purchase and sales of natural gas, energy, transport and storage services.
Additionally, there were also financial transactions (loans, bank fees, commission) with Bank Gospodarstwa Krajowego.

5.17. Excise tax guarantees

Excise tax guarantees and excise tax on goods and merchandise under the excise tax suspension procedure are part of off-balance sheet liabilities and as at 31 December 2022 and as at 31 December 2021 amounted to PLN 4,039 million and PLN 2,659 million, respectively. As at 31 September 2022, the Group assesses the materialisation of this type of liability as very low.

5.18. Information on loan sureties or guarantees granted by the Parent Company or its subsidiaries to one entity or its subsidiary where the total value of existing sureties or guarantees is significant

The guarantees and sureties granted within the Group to third parties as at 31 December 2022 and as at 31 December 2021 amounted to PLN 31,632 million and PLN 14,385 million, respectively. As at 31 December 2022 they related mainly to security of:

- future liabilities arising from bonds issuances of Group's subsidiaries in total amount of PLN 11,424 million,
- financial liabilities arising from loans agreements of Group's subsidiaries and PKN ORLEN in the total amount of PLN 3,022 million,
- liabilities of PGNiG Supply&Trading GmbH arising from operational activities in the total amount of PLN 10,024 million,
- liabilities of PGNiG Upstream Norway AS arising from operational activities in the total amount of PLN 4,070 million,
- realisation of investment projects of subsidiaries: CCGT Ostrołęka and CCGT Grudziądz in total amount of PLN 995 million,
- realisation of wind projects and other liabilities of jointly-controlled entity Baltic Power in amount of PLN 283 million.

Future liabilities arising from bonds issuances are secured by the irrevocable and unconditional guarantees issued in favour of the bondholders by:

- PKN ORLEN - guarantee until 7 June 2023 for issuer of Eurobonds, ORLEN Capital,
- PKN ORLEN - guarantee until 31 March 2025 for issuer of senior bonds, B8 Sp.z o.o. Baltic SKA,
- ENERGA - guarantee until 31 December 2033 for issuer of Eurobonds, Energa Finance.

(in PLN million)

	Nominal value					Value of guarantee issued	
		PLN	Subscription date	Expiration date	Rating		PLN
Eurobonds	750 EUR	3 517	7.06.2016	7.06.2023	BBB+, A3	1 100 EUR	5 159
Eurobonds	300 EUR	1 407	7.03.2017	7.03.2027	BBB+, Baa2	1 250 EUR	5 862
Senior bonds	43 USD	189	from 01.03.2017 till 31.01.2022	till 31.12 2024	n/a	91,5 USD	403
		5 114					**11 424**

The value of guarantees granted was translated using the exchange rate as at 31 December 2022

In addition, the value of guarantees regarding liabilities to third parties granted during ongoing operations as at 31 December 2022 and as at 31 December 2021 amounted to PLN 785 million (including PGNiG Group companies PLN 316 million) and PLN 486 million, respectively. Guarantees concerned mainly: civil-law guarantees of contract performance and public-law guarantees resulting from generally applicable regulations secured regularity of business licensed in the liquid fuels sector and resulting from this activity tax and customs receivables.

As at 31 December 2022 an unconditional and irrevocable guarantee issued by LOTOS Upstream Sp. z o.o. for the benefit of the government of Norway, covering the exploration and production activities of LOTOS Exploration and Production Norge AS on the Norwegian Continental Shelf, was effective. The guarantee does not have a defined value. In the guarantee, LOTOS Upstream Sp. z o.o. undertook to assume any financial liabilities which may arise in connection with the operations of LOTOS Exploration and Production Norge AS on the Norwegian Continental Shelf, consisting in exploration for and extraction of the natural resources from the sea bottom, including their storage and transport using means of transport other than ships.

5.19. Events after the end of the reporting period

1. Acquisition of petrochemical assets

On 1 January 2023 the Group has closed the transaction to acquire a part of the business related to the production and marketing of LDPE from the Poland's largest plastics manufacturer Basell Orlen Polyolefins (a joint venture in which PKN ORLEN and LyondellBasell Industries each hold a 50% stake) and Basell Orlen Polyolefins Sprzedaż sp. z o.o. (100% of shares held by Basell Orlen Polyolefins sp z o.o.). The business involves the production and marketing of LDPE, as well as customer service in the Polish market. The transaction was cleared by the Polish and Dutch antitrust regulators. The acquired production capacity is 100 thousand tonnes per year, which means that PKN ORLEN, as Poland's only producer of LDPE, will single-handedly cover about a third of the country's overall demand for the plastic.
Low density polyethylene (LDPE) is commonly used to make consumer and industrial products, found in plastic films, bags, canisters, food packaging, as well as components of electronic devices, such as wires and cables.
It is a fully recyclable product playing an important role in advancing the circular economy.
After the transaction, Basell Orlen Polyolefins sp. z o.o. will continue to develop the production and sale of HDPE polyethylene, i.e. high-density polyethylene, and polypropylene.
The acquisition of the part of the business related to the production and sale of LDPE is in line with the strategy implemented by the Group. The Group observes a dynamic increase in demand for petrochemical products on global markets, and according to forecasts, by 2030 the value of the petrochemicals and base plastics market is expected to double. Therefore, the Group aims to increase its share in this promising business and to strengthen its position as the leading producer of petrochemical products in Europe, which will enable it to increase its profits.

Provisional settlement of the transaction

The acquisition of the business related to the production and sale of LDPE is accounted for using the acquisition method in accordance with IFRS 3 Business Combinations.

As at the date of preparation of these interim condensed consolidated financial statements, the accounting for the merger has not been completed, and the process of measuring the acquired net assets to fair value is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which correspond to their book values as at the merger date transferred to the Company by the seller and currently are verified with the participation of external advisors. In particular, the Group decided to involve independent experts in order to carry out the valuation at fair value of the acquired assets and assumed liabilities. This valuation will be performed by external experts in subsequent periods and will affect the final fair value of the presented net assets under settlement. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

The provisional value of identifiable assets acquired and liabilities assumed recognised as at the acquisition date are as follows:

in PLN million		01/01/2023
Assets acquired	**A**	**175**
Non-current assets		***33***
Property, plant and equipment		26
Deferred tax assets		7
Current assets		***142***
Inventories		59
Trade and other receivables		3
Cash		73
Other assets		7
Assumed liabilities	**B**	**90**
Non-current and current liabilities		***90***
Trade and other liabilities		77
Provisions		4
Other liabilities		9
Net assets – provisional amount	**C = A - B**	**85**
Fair value of the consideration transferred (Cash paid)	D	297
Provisional goodwill	**E = D -C**	**212**

The Group expects that as a result of the purchase price settlement process, the provisionally goodwill of PLN 212 million will decrease, as a significant part of it will be allocated to other assets as a result of the fair value measurement of property, plant and equipment carried out by independent appraisers. The remaining part of the goodwill relates to the expected benefits and synergies in the Group as part of the implemented strategy of strengthening the Group's position on the market of petrochemicals and base plastics.

2. Transaction of acquisition of REMAQ s.r.o

On 2 January 2023 ORLEN Unipetrol R.PA. s.r.o. acquired 100% of shares in REMAQ s.r.o. (REMAQ) based in Otrokovice, Czech Republic.REMAQ is a leading company in the region of Central and Eastern Europe, focusing its core activity on chemical and mechanical recycling activities.
With the acquisition of the REMAQ the Group, will be able to effectively acquire and process waste plastic and bio-waste and produce new petrochemicals and biofuels from it. The acquisition of REMAQ will enable the expansion of the Group's competencies in the field of mechanical recycling and is the result of the strategy implemented in the Group, the aim of which is to achieve an appropriate level of recycling capacity for plastics and natural waste and to link all waste recycling methods and create a fully functional chain in which local governments, distributors waste and final processors will work together effectively.

Provisional settlement of the transaction
Acquisition of REMAQ shares is subject to settlement applying the acquisition method in accordance with IFRS 3 Business Combinations

As at the date of preparation of these interim condensed consolidated financial statements, the accounting for the merger has not been completed, and the process of measuring the acquired net assets to fair value is at a very early stage. Therefore, the Group presented provisional values of identifiable assets and liabilities which, apart from the exceptions described below, correspond to their book values as at the merger date. In particular, the Group decided to involve independent experts in order to carry out the valuation at fair value of the acquired assets and assumed liabilities. This valuation will be performed by external experts in subsequent periods and will affect the final fair value of the presented net assets under settlement. The Group plans to make the final settlement of the purchase transaction within 12 months from the merger date.

The provisional value of identifiable assets acquired and liabilities assumed recognised as at the acquisition date are as follows:

in PLN million		02/01/2023
Assets acquired	**A**	**117**
Non-current assets		**30**
Property, plant and equipment		11
Right-of-use asset		18
Other assets		2
Current assets		87
Inventories		27
Trade and other receivables		22
Other financial assets		2
Cash		36
Assumed liabilities	**B**	44
Non-current liabilities		25
Loans		5
Deferred tax liabilities		2
Lease liabilities		17
Current liabilities		19
Trade and other liabilities		15
Loans		1
Other liabilities		3
Net assets – provisional amount	**C=A-B**	**73**
Acquired net assets attributable to the equity owners of the parent	**D**	73
% share in the share capital	**E**	100%
Value of shares measured as a proportionate share in the net assets	**F=D*E**	73
Fair value of the consideration transferred (Cash paid)	**G**	291
Provisional goodwill	**I=G-F**	**218**

The net cash outflow related to the acquisition of REMAQ, being the difference between the net cash acquired (recognised as cash flows from investing activities) and the paid cash transferred as payment, amounted to PLN 255 million.

After the end of the reporting period there were no other events required to be included in these interim condensed consolidated financial statements.

OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

FOR THE 12 AND 3-MONTH PERIOD ENDED 31 DECEMBER 2022

B. OTHER INFORMATION TO CONSOLIDATED QUARTERLY REPORT

1. Major factors having impact on EBITDA and EBITDA LIFO

Statement of profit or loss for the 4th quarter of 2022

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 4th quarter of 2022 amounted to PLN 21,960 million. EBITDA of the ORLEN Group for the 4th quarter of 2022 was increased by the non-cash impact of the gain on bargain purchase of PGNIG Group in the amount of PLN 8,193 million. After elimination of the gain mentioned above EBITDA of the ORLEN Group amounted to PLN 13,767 million compared to PLN 6,413 million in the same period of 2021.
The impairment allowances of property, plant and equipment and intangible assets in the 4th quarter of 2022 amounted to PLN (447) million and related mainly upstream assets in the LOTOS Upstream Group in LOTOS E&P Norge. For comparison, the impact of impairment allowances of property, plant and equipment and intangible assets in the corresponding period of 2021 amounted to PLN 903 million and were related mainly to the reversal of impairment from previous years, mostly in the upstream segment.

The ORLEN Group in the financial statements measures the main groups of inventories using weighted average method or by purchase price. For valuation of the coal inventories the "first in first out" (FIFO) method for measurement of consumption is used. In the case of the weighted average cost, an increase in crude oil prices in comparison to the valuation of crude oil according to LIFO method has a positive impact and the decrease has a negative impact on the reported results of EBITDA.
The impact of change in crude oil prices in the 4th quarter of 2022 on the valuation of inventories recognised in the EBITDA result amounted to PLN (1,849) million with a positive impact of the valuation of inventories in the 4th quarter of 2021 in the amount of PLN 1,251 million.

As a result, profit from operations increased by depreciation and amortisation after elimination of the impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO), impairment allowances of assets and the provisional gain on the bargain purchase of PGNIG Group amounted to PLN 16,063 million and was higher by PLN 11,804 million (y/y).

The following analysis of the main operational and financial parameters impact does not include the effects in the ex-Group LOTOS and PGNIG due to the incomparability of the consolidation periods of these Groups during the 4th quarter of 2021 and 2022. The LOTOS Group participates in the consolidation of the ORLEN Group results since August and the PGNIG Group since November of 2022.

Positive impact of macroeconomic factors amounted to PLN 5,281 million (y/y) and included mainly impact of a higher differential according to the actual structure of processed crude oils by (4.7) USD/bbl and increase in margins on light and medium distillates and fertilizers as well as hedging transactions in the amount of PLN 360 million. The above positive effects were partially limited by the negative impact of the valuation and settlement of the CO2 futures contract in the amount of PLN (1,291) million. Additionally results were negatively affected by the weakening of macroeconomic environment in the petrochemical segment in the olefins, polyolefins, PTA and PVC areas as well as higher costs of own consumption resulted from the increase in crude oil, natural gas and electricity prices by much higher crude oil processing (y/y).

Total volume sales of ORLEN Group increased by 27% (y/y) that is by 2,839 thousand tonnes to the level of 13,403 thousand tonnes mainly due to recognition of volumes of the former LOTOS Group in the amount of 3,085 thousand tonnes in refining segment and LOTOS Group and PGNIG Group in the amount of 316 thousand tonnes in upstream and gas segments. After elimination of volumes of LOTOS Group the sales decreased by (5,3)% by (561) thousand tonnes.
In the refining segment, volume sales amounted to 9,698 thousand tons. After elimination of mentioned above volumes of the former LOTOS Group, sales decreased by (2.7)% (y/y), i.e. by (183) thousand tons, and amounted to 6,613 thousand tonnes. Additionally, operating results were negatively affected by a higher share of heavy refinery fractions in the sales structure by 3 p.p. (y/y) as a result of, among others, the failure of the HOG unit at PKN ORLEN in late September 2022. The volume effect in the refining segment also includes the negative impact of a change in the structure of crude processed as a result of a 29 pp. reduction in Rebco crude processing (y/y) and replacing it with the processing of more expensive Arabian and North Sea crudes.
In the petrochemical segment, total sales amounted to 1,133 thousand tonnes and decreased by (-) 12% in all operating markets, i.e. Poland by (-) 12%, the Czech market by (-) 11% (y/y) and Lithuania by (-) 49% (y/y).
Total fuel sales volumes in the retail segment decreased by (-) 1% as a result of lower fuel sales volumes in the German market by (-) 19% (y/y) with higher sales in the Polish market by 6% (y/y), Czech market by 5% (y/y) and Lithuanian market by 2% (y/y).
Volume of the upstream segment increased by 73% (y/y) due to higher hydrocarbon sales of the ORLEN Upstream Group in Poland with lower sales in Canada, as well as the consolidation of volumes of LOTOS Upstream and LOTOS Petrobaltic and the exPGNiG Group (Upstream Norway and the Branch Complex).
Volume sales of the gas segment reached 191 thousand tonnes and included sales volumes of the ex-PGNIG Group.

The above changes in sales trends resulted in a negative volume effect of PLN (578) million (y/y).

The impact of the other factors amounted to PLN 7,101 million (y/y) and included mainly:

- Recognition in the consolidation of the operational results of former Lotos Group for the entire 4th quarter of 2022 in the amount of PLN 4,229 million and PGNIG Group since November 2022 in the amount of PLN 3,148 million (after elimination of the provisional gain on bargain acquisitions of these Groups).
- Effect on change in consolidation principles of Rafineria Gdańsk related to the sales of 30% shares of the company to Saudi Aramco in the 4th quarter of 2022 in the amount of PLN (519) million.
- Other effects in the amount of PLN 243 million (y/y) including, among others, an increase in trade margins with the negative impact of higher overheads and labor costs.

Statement of profit or loss for the 12 months of 2022

Result from operations increased by depreciation and amortisation (so-called EBITDA) for the 12 months of 2022 amounted to PLN 50,455 million. EBITDA of the ORLEN Group was increased by the non-cash impact of the gain on bargain purchase of LOTOS Group in the amount of PLN 5,824 million and of PGNIG Group in the amount of PLN 8,193 million. After elimination of mentioned above one-off non-cash effects EBITDA of the ORLEN Group amounted to PLN 36,438 million compared to PLN 19,211 million in year 2021.

The EBITDA presented above includes the net impact of impairment on property, plant and equipment and intangible assets in the amount of PLN (3,387) million which mainly concerned refining assets in PKN ORLEN and ORLEN Lietuva Group, as well as assets of the Upstream segment. In 2021, net impairments amounted to PLN 811 million and were related mainly to the reversal of impairment from previous years, mostly in the upstream segment.

The ORLEN Group in the financial statements measures the main groups of inventories using weighted average method or by purchase price. For valuation of the coal inventories the "first in first out" (FIFO) method for measurement of consumption is used. In the case of the weighted average cost, an increase in crude oil prices in comparison to the valuation of crude oil according to LIFO method has a positive impact and the decrease has a negative impact on the reported results of EBITDA.
The impact of increasing oil prices in the 12 months of 2022 on inventory valuation included in EBITDA amounted to PLN 1,093 million compared to PLN 4,246 million in the 12 months of 2021.

As a result, profit from operations increased by depreciation and amortisation after elimination of the impact of changes in crude oil prices on inventory valuation (so-called EBITDA LIFO), impairment allowances of assets and the provisional gain on the bargain purchase of LOTOS Group and PGNIG Group amounted to PLN 38,732 million and was higher by PLN 24,578 million.

The following analysis of the main operational and financial parameters impact does not include the effects in the ex-Groups LOTOS and PGNIG due to the incomparability of the consolidation periods of these Groups during the year 2021 and 2022. The LOTOS Group participates in the consolidation of the ORLEN Group results since August and the PGNIG Group since November of 2022.

Positive impact of macroeconomic factors amounted to PLN 14,220 million (y/y) as a result of higher differential according to the actual structure of processed crude oils by (6.8) USD/bbl and increase in margins on light and medium distillates, olefins, PTA, PVC and fertilizers. The above positive effects were partially limited by the negative impact of the valuation and settlement of the CO2 futures contract in the amount of PLN (4,905) million and hedging transactions in the amount of PLN (2,127) million (y/y) due to increasing oil and product quotations. Additionally, the increase in crude oil, natural gas and electricity prices by higher crude oil processing (y/y) significantly contributed to higher costs of own consumption.

Total volume sales of ORLEN Group increased by 18% (y/y) that is by 6,929 thousand tonnes to the level of 45,852 thousand tonnes mainly due to recognition of volumes of the former LOTOS Group in the amount of 5,118 thousand tonnes in refining segment and LOTOS and PGNIG Group in the amount of 381 thousand tonnes in upstream and gas segments. After elimination of volumes of LOTOS and PGNIG Group the sales increased by 3% that is by 1,239 thousand tonnes.
In the refining segment, volume sales amounted to 30,458 thousand tonnes. After elimination of mentioned above volumes of the former LOTOS Group, sales increased by 4% (y/y), i.e. by 951 thousand tons, and amounted to 25,340 thousand tonnes. Operating results were negatively affected by the IV quarter 2022 incidents described below and related to the high share of heavy refining fractions in the sales structure as a result of the failure of the HOG unit at PKN ORLEN and the change in the structure of crude processed as a result of the reduction in Rebco crude processing.
In the petrochemical segment, total sales increased by 2% (y/y) and amounted to 5,013 thousand tonnes mainly due to higher volumes in Poland 4% (y/y) with comparable sales in the Czech market and a decrease of (25)% in Lithuania.
Total fuel sales volumes in the retail segment increased by 4% (y/y) mainly due to higher volumes in the Polish market by 14% (y/y), with fuel sales declines in the German market by (11)% (y/y), the Czech market by (8)% (y/y) and the Lithuanian market by (7)% (y/y).
Volume of the upstream segment increased by 28% (y/y) due to higher hydrocarbon sales of the ORLEN Upstream Group in Poland and Canada, as well as the consolidation of volumes of LOTOS Upstream and LOTOS Petrobaltic and the exPGNiG Group (Upstream Norway and the Branch Complex).
Volume sales of the gas segment reached 191 thousand tonnes and included sales volumes of the ex-PGNIG Group.
The above changes in sales trends resulted in a positive volume effect of PLN 581 million (y/y).

The impact of the other factors amounted to PLN 9,777 million (y/y) and included mainly:
- Recognition in the consolidation of the operational results of former Lotos Group in the amount of PLN 6,493 million and PGNIG Group since November 2022 in the amount of PLN 3,148 million (after elimination of the provisional gain on bargain acquisitions of these Groups).
- Effect on change in consolidation principles of Rafineria Gdańsk related to the sales of 30% shares of the company to Saudi Aramco in the 4th quarter of 2022 in the amount of PLN (519) million.
- Lack of positive effects from 2021 related to the change in the ownership structure of Baltic Power in the amount of PLN (156) million and the settlement of liabilities to minority shareholders of ORLEN UNIPETROL in the amount of PLN (184) million.
- Lack of positive impact of revaluation of inventories to 2021 realisable prices in the amount of PLN (228) million (y/y).
- Other effects in the amount of PLN 1,223 million (y/y) including, among others, an increase in trade margins with the negative impact of higher overheads and labor costs.

2. The most significant events in the period from 1 January 2022 up to the date of preparation of this report

JANUARY 2022

Approval for conclusion of agreements regarding implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A. and framework agreement on purchase of fuel stations in Slovakia and Hungary

PKN ORLEN announced that on 10 January 2022 the Company's Management Board has chosen the partners with whom the certain agreements shall be concluded on implementation of remedies ("Remedies") which PKN ORLEN is obliged to realize according to conditional decision of the European Commission ("Commission") as of 14 July 2020 on taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS").

The Company's Management Board gave consent to conclude agreements with the following partners:
1) in fuels production, fuels wholesales and aviation fuels market: Aramco Overseas Company B.V. headquartered in Hague (the Netherlands);
2) in bitumen and fuels logistics market: Unimot Investments spółka z ograniczoną odpowiedzialnością headquartered in Warsaw (Poland);
3) in biocomponents market: Rossi Biofuel Zrt. headquartered in Komárom (Hungary);
4) in retail market: MOL Hungarian Oil and Gas Public Limited Company headquartered in Budapest (Hungary).

Moreover the Company's Management Board gave consent for conclusion by the Company of a framework agreement in result of which the entities belonging to the ORLEN Group will purchase from MOL Plc. assets connected with operation of fuel stations in Slovakia and Hungary.

The above-mentioned decisions of the Company's Management Board has been accepted by the Company's Supervisory Board.

Completion of works on implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN over Grupa LOTOS S.A.

PKN ORLEN announced that it has completed works on implementation of remedies according to conditional decision of the European Commission ("Commission") as of 14 July 2020 on concentration of taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS") ("Remedies").

In order to implement the Remedies there have been signed the below mentioned conditional agreements that will come into force under, among others, following conditions:
1) the Commission approves the purchasers of the assets that are being disposed during implementation of Remedies and provisions of agreements concluded with them;
2) Concentration between the Company and Grupa LOTOS is realized;
3) the below mentioned purchasers of the assets that are being disposed during implementation of Remedies obtain the approvals of the certain antitrust offices and other public administration organs for conclusion and realization of the below mentioned agreements by them;
4) the other consents of the certain institutions, required by law, for disposal of some parts of disposing assets are obtained.

In order to implement Remedies in fuels production market and fuels wholesales market area following agreements were concluded:

1. Preliminary agreement on sales of 30% of shares in LOTOS Asfalt Sp. z o.o. headquartered in Gdańsk ("LOTOS Asfalt") ("Preliminary Agreement on Sales of Shares in LOTOS Asfalt") between Grupa LOTOS and Aramco Overseas Company B.V. („Aramco"), with following agreements attached:

a. a template of joint venture agreement between PKN ORLEN, Grupa LOTOS, LOTOS Asfalt and Aramco, realizing the requirement of divestment to the independent third party of 30% of the shares in the company, to which refinery located in Gdańsk was contributed as an in-kind contribution and granting guarantee to this third party of contractual rights in the scope of corporate governance,

b. a template of processing agreement and offtake agreement between Grupa LOTOS, LOTOS Asfalt and Wholesales Company (defined below), which will be concluded for contractual period of joint venture agreement, referred to in point a above,

c. a template of a framework agreement on storage of obligatory inventories of crude oil between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period of 10 years from its entry into force,

d. a template of a framework agreement on railway logistics outsourcing between PKN ORLEN and Wholesales Company (defined below), which will be concluded for a period when the processing or offtake agreement are in force.

The agreements indicated above will be concluded on the day of concluding of promised agreement on sales of shares in

LOTOS Asfalt.
The price specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in LOTOS Asfalt, which consists of fixed element in the amount of approximately PLN 1.15 billion and variable element, depending on the level of debt and working capital of LOTOS Asfalt on the day preceding the signing of the promised agreement.
The Preliminary Agreement on Sales of Shares in LOTOS Asfalt includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

2. Preliminary agreement on sales of 100% of shares in LOTOS SPV 1 Sp. z o.o. headquartered in Gdańsk ("Wholesales Company") between Grupa LOTOS and Aramco ("Preliminary Agreement on Sales of Shares in Wholesales Company"). Before concluding of the promised agreement on sales of shares in the Wholesales Company, to that company there will be separated an organised part of fuels wholesales enterprise that is currently conducted by LOTOS Paliwa Sp. z o.o. headquartered in Gdańsk ("LOTOS Paliwa"), ('Wholesales Business").
The price specified in the Preliminary Agreement on Sales of Shares in Wholesales Company will be calculated on the base of formula specified in the Preliminary Agreement on Sales of Shares in Wholesales Company, which consists of fixed element in the amount of approximately PLN 1 billion and variable element, depending on the level of debt and working capital of Wholesales Company on the day preceding the signing of the promised agreement.
The Preliminary Agreement on Sales of Shares in Wholesales Company includes material adverse change clause entitling Aramco to withdraw the agreement in case of the certain events described in the agreement occurs.

In order to implement Remedies in biofuels market area following agreement was concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Biopaliwa Sp. z o.o. headquartered in Gdańsk ("LOTOS Biopaliwa") between Grupa LOTOS and Rossi Biofuel Zrt. ("Preliminary Agreement on Sales of Shares in LOTOS Biopaliwa"). An additional document to the Preliminary Agreement on Sales of Shares in LOTOS Biopaliwa is an agreement on sales of biocomponents between the Company and LOTOS Biopaliwa which will be concluded for a period of 4 years. The agreement on sales of biocomponents, indicated above, will be concluded on the day of concluding of promised agreement on sales of shares in LOTOS Biopaliwa.

In order to implement Remedies in fuels logistics market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale S.A. headquartered in Czechowice Dziedzice ("LOTOS Terminale") between Grupa LOTOS and Unimot Investments spółka z ograniczoną odpowiedzialnością („Unimot Investments"), to which a contribution agreement is attached on contribution of four PKN ORLEN fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec to LOTOS Terminale;
2. Conditional fuels depot agreement between PKN ORLEN and Unimot Investments which allows PKN ORLEN to use the warehouses in fuels depots located in Gdańsk, Szczecin, Gutkowo and Bolesławiec after the shares in LOTOS Terminale are disposed to Unimot Investments, concluded for a period of 10 years starting from the date of its entry into force;
3. Conditional preliminary agreement between PKN ORLEN and Unimot Investments and Unimot S.A. on renting and settlements of expenditures which describes the obligation of the Company, Unimot Investments and Unimot S.A. to conclude a promised agreement on conditions of realization of the investment of building a fuels depot located in Szczecin, that will be owned and operated by LOTOS Terminale.
The contribution agreement, indicated above, will be concluded between PKN ORLEN and LOTOS Terminale after concentration between the Company and Grupa LOTOS is realized.

In order to implement Remedies in retail market area following agreements were concluded:
1. Preliminary agreement of sales of shares in LOTOS Paliwa between Grupa LOTOS and MOL Hungarian Oil and Gas Public Limited Company („MOL") ("Preliminary Agreement of Sales of Shares in LOTOS Paliwa"), from which, before concluding of promised agreement of sales of shares in LOTOS Paliwa, Wholesales Business will be separated, consisting of in total 417 fuel stations of LOTOS retail network, located in Poland.
Additional document to the Preliminary Agreement of Sales of Shares in LOTOS Paliwa is a conditional agreement on sales of fuels to MOL Group, between PKN ORLEN and MOL, which will be concluded for a period of up to 8 years.
The price specified in the Preliminary Agreement of Sales of Shares in LOTOS Paliwa will be calculated on the base of formula specified in the Preliminary Agreement of Sales of Shares in LOTOS Paliwa, which consist of fixed element in the amount of approximately USD 610 million and variable element, depending on the level of debt and working capital of LOTOS Paliwa on the last day of the month preceding the month in which the promised agreement will be signed.
The Preliminary Agreement of Sales of Shares in LOTOS Paliwa includes a material adverse change clause, according to which, in case of occurrence of the events strictly defined in the agreement the price for shares in LOTOS Paliwa will be reduced accordingly based on agreed formula.

In order to implement Remedies in aviation fuels market area following agreements were concluded:
1. Preliminary agreement on sales of all shares owned by Grupa LOTOS in LOTOS-Air BP Polska Sp. z o.o. headquartered in Gdańsk ("LOTOS-Air BP") between Grupa LOTOS and Aramco;
2. Conditional agreement on sales of aviation fuel to LOTOS-Air BP, between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
3. Conditional agreement on LOTOS-Air BP aviation fuel storage in Olszanica between PKN ORLEN and LOTOS-Air BP concluded for a period of 15 years from the date of its entry into force;
4. Conditional agreement on providing services of operating activity support in case of force majeure, between PKN ORLEN, ORLEN Aviation Sp. z o.o. headquartered in Warsaw and LOTOS-Air BP, concluded for a period of 15 years from the date of its entry into force.
In order to implement Remedies in bitumen market area following agreements, among others, were concluded:
1. Preliminary agreement on sales of 100% of shares in LOTOS Terminale, which, before concluding of promised agreement of

sales of shares will acquire 100% of shares in LOTOS SPV 2 Sp. z o.o. ("Bitumen Company"), between PKN ORLEN and Unimot Investments. Beforehand, Bitumen Business will be separated to Bitumen Company.
2. Conditional bitumen sales agreement between Grupa LOTOS, PKN ORLEN and Unimot Investments, which will be concluded for a period of 10 years from its entry into force with option to extend this period by another two 5 years periods on terms previously agreed between parties.
Within 7 days from the conclusion of the above mentioned agreements the Company will submit to the Commission a motion for approval of proposed buyers of assets that are being disposed to implement Remedies and of concluded preliminary agreements and conditional agreements with attachments.
Additionally PKN ORLEN has concluded a conditional framework sales and purchase agreement with MOL ("Framework Agreement") as a result of which companies belonging to the ORLEN Group will purchase from MOL 144 fuel stations located in Hungary and 41 fuel stations located in Slovakia for the total price amounting to approximately EUR 229 million ("Transactions"). The price is subject to be corrected as of the Transaction settlement day due to changes in the level of net debt and working capital of the acquiring assets in relation to their reference values.
The Transactions shall be closed in 12 months from the day of signing of the Framework Agreement, however the actual acceptance of all acquiring assets shall be made in 18 months from the day of the Transactions closing.
Closing of the Transaction subjects to, among others, obtaining a certain approval of the Commission and the former purchase of 100% of shares in LOTOS Paliwa by MOL.
Additionally PKN ORLEN concluded with Saudi Arabian Oil Company a long term agreement on crude oil deliveries to the ORLEN Group companies. On the base of the agreement, in case of finalization of the concentration with Grupa LOTOS, PKN ORLEN will secure deliveries of the crude oil from Saudi Arabian Oil Company to ORLEN Group in the amount from 200 to 337 thousand barrels daily.
PKN ORLEN also concluded with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a memorandum of understanding on cooperation to analyse, prepare and realize common investments in petrochemical segment. As potential areas of cooperation there will be analysed, among others, development projects in olefins and olefin derivatives, including aroma derivatives, in Poland and in Central and Eastern Europe.
PKN ORLEN also signed with Saudi Arabian Oil Company a memorandum of understanding on cooperation for the common analyses, preparation and realization of research and development projects, as well within the sustainable development technology.

Change in the Management Board
PKN ORLEN announced that on 27 January 2022 Mr Zbigniew Leszczyński submit a resignation with the effect from the end of 31 January 2022 from the position of PKN ORLEN Management Board Member.

The Polish Office of Competition and Consumer Protection consent to establish SPV with PGNiG in biomethane area
PKN ORLEN announced that on 31 January 2022 ORLEN Południe S.A. and PGNiG S.A. received the consent from the Chairman of the Polish Office of Competition and Consumer Protection to establish special purpose vehicle ("SPV").
Consequently the condition of establish a joint venture has been fulfilled. ORLEN Południe S.A. will have 51% of shares and PGNiG S.A. 49% in creating entity.
The core business of SPV is development of the market and production of biomethane, particularly acquisition and construction of biomethane plants, development of biomethane production technologies, as well as production, trading and use of biomethane in different fields of ORLEN Group and PGNiG S.A. business activity.

FEBRUARY 2022

ORLEN Group Hydrogen Strategy
PKN ORLEN announced that on 2 February 2022 Company's Supervisory Board approved ORLEN Group Hydrogen Strategy 2030 ("Hydrogen Strategy") which is more detailed part of ORLEN Group Strategy 2030 in one of business areas – hydrogen as part of the plan to invest in ORLEN Group future.
The Hydrogen Strategy defines ORLEN Group goals by 2030 and long-term development ambitions in hydrogen area in four key areas:

- Mobility – ORLEN Group as a transition leader in Central Europe, producing and providing zero- and low-carbon hydrogen as alternative fuel for transport sector and operator of publicly accessible hydrogen refuelling stations located in Central Europe. In the first stage (by 2025) focus on development of B2B market (primarily public transport ensuring stable demand volumes), next development of partnerships to creating of hydrogen corridors for long-haul heavy-duty transport; development of B2C offer and intensification of R&D activities in e-fuels area for air transport and in long term sea transport.
- Refining and petrochemicals – hydrogen as main enabler of decarbonisation of ORLEN Group. Focus on cost-efficient reduction of CO_2 emission of existing hydrogen production units in ORLEN Group through, among others, realization before 2030 of projects in the field of carbon capture, utilisation and/or storage in selected locations. At the same time building of new hydrogen production plants based on electrolysis powered by renewable energy sources and units which convert municipal waste into hydrogen (waste-to-hydrogen type).
- Research, development and innovations and regulatory environment – advancement of research and development activities actively supporting the potential of the ORLEN Group. ORLEN Group as a partner of first choice for building a hydrogen economy in Central Europe: focus on creating and promoting hydrogen partnerships and the hydrogen ecosystem as well as building in-house capabilities across the hydrogen value chain supporting realizing investment initiatives.
- Industry and energy - promising direction of ORLEN Group engagement as a major supplier and customer of zero- and low-carbon hydrogen within the European Hydrogen Backbone.

It was estimated that realization of activities planned by 2030 in Hydrogen Strategy will require CAPEX of approximately PLN 7.4 billion. Expenditures have been partially taken into account in ORLEN Group Strategy 2030 as part of pillar: Investing in the future. The Hydrogen Strategy will consist of a series of initiatives to be realized, the most important of which include the following projects:

- Building of over 100 publicly accessible hydrogen refuelling stations with necessary logistics infrastructure in Central Europe.
- Building new low- and zero-carbon hydrogen capacity of approximately 540 MW, including from water electrolysis powered by renewables and municipal waste to hydrogen.
- Building of units dedicated to CO_2 emission reduction from existing hydrogen production units with using of carbon capture, utilisation and/or storage technologies.

Realization of above projects allow for production of zero- and low-carbon hydrogen in ORLEN Group in 2030 on the level of approximately 50% of the total planned volume of hydrogen production in ORLEN Group in 2030, which will lead to avoidance of approximately 1,6 Mt of CO_2 emission from hydrogen production yearly.
The scale of CAPEX planned in the Hydrogen Strategy may by lowered due to use of external financing, including non-returnable, connected with innovations and energy transition.

Change in the Management Board
PKN ORLEN announced that the Supervisory Board of PKN ORLEN., following its meeting on 15 February 2022 appointed Mr Piotr Sabat to hold the position of the Member of the Company's Management Board, with the effect from 1 March 2022.

MARCH 2022

Agreements for building of the complex of units for production of II generation bioethanol in the ORLEN Południe production plant
PKN ORLEN announced that ORLEN Południe S.A. ("ORLEN Południe") signed the agreements for building of the complex of units for production of II generation bioethanol (B2G) in EPC formula (Engineering, Procurement and Construction) in the ORLEN Południe production plant in Jedlicze ("B2G Complex").
Within the B2G Complex main unit for bioethanol production, heat and power plant and ancillary infrastructure will be built.
The general contractor of the main B2G unit, with yearly capacity of 25 thousand tonnes, will be ZARMEN Sp. z o.o. headquartered in Warsaw. CAPEX for B2G unit will amount to approximately PLN 550 million.
The contractor of biomass heat and power plant will be Valmet Technologies Oy headquartered in Espoo, Finland. CAPEX for heat and power plant will amount to approximately PLN 170 million.
In the next stage, for the purpose of the B2G Complex, the biogas plant will also be built.
Total CAPEX for building of the B2G Complex is estimated at approximately PLN 1.12 billion. The completion of the building is planned by the end of 2024.

The Polish Office of Competition and Consumer Protection conditional consent regarding concentration between PKN ORLEN and PGNiG S.A.
PKN ORLEN announced that on 16 March 2022 it received the conditional positive decision from the Chairman of the Polish Office of Competition and Consumer Protection ("UOKiK") regarding consent for concentration consisting in merger with Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw („PGNiG").
The positive decision of the Chairman of UOKiK was submitted under condition of implementing by PKN ORLEN and PGNiG the remedy in the form of getting rid of control over Gas Storage Poland Sp. z o.o., the subsidiary of PGNiG, which core field of activity is performing tasks of a storage system operator of natural gas. The decision provides also an obligation to conclude or maintain with Gas Storage Poland Sp. z o.o. an agreement entrusting the duties of storage system operator after getting rid of control over that company. PKN ORLEN and PGNiG have 12 months from the moment of concertation for realization of the remedy.

MAY 2022

Agreement for building of the new Air Separation Unit III in the Production Plant in Plock
PKN ORLEN announced that on 17 May 2022 it signed with Linde GmbH, Linde Engineering an agreement for building of the new Air Separation Unit III in the Production Plant in Plock ("Investment") in EPC (Engineering, Procurement and Construction) formula for ISBL. The annual production capacity of the unit will amount to 38 500 Nm3/h of oxygen and 75 000 Nm3/h of nitrogen. Realization of the Investment is necessary due to the need to secure oxygen gas and nitrogen gas to new, building Olefins III complex and other units in the Production Plant in Plock. Additionally realization of the Investment will allow to extent the scope of the offered products with high-margin liquid gases and also there will be achieved savings due to improved operation and processing efficiency.
Total cost of the Investment is estimated at the level of approximately PLN 760 million. The completion of the Investment is planned for the beginning of 2025.

JUNE 2022

Agreement of merger plan between PKN ORLEN and Grupa LOTOS S.A. and agreement on the ratio of the shares to be exchanged in connection with that merger
PKN ORLEN announced that on 2 June 2022 the Company and Grupa LOTOS have concluded a written agreement on the merger plan ("Merger Plan"). The merger will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies through transfer of all assets and liabilities of Grupa LOTOS (company being acquired) to PKN ORLEN (acquiring company) in exchange for shares which the Company will issue to the shareholders of Grupa LOTOS ("Merger").
In connection with the Merger the Company will made a public offer of the shares that will be issued within the process of the Merger ("Merger Shares"), the public offer will be addressed to the shareholders of Grupa LOTOS and it will be exempted from the formal prospectus requirements, providing that an information document will be prepared in line with the Commission Delegated Regulation (EU) 2021/528 of 16 December 2020 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the minimum information content of the document to be published for a prospectus exemption in connection with a takeover by means of an exchange offer, a merger or a division, in connection with Art. 1.4.g, Art. 5.f and Art. 1.6 of the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing

Directive 2003/71/EC ("Regulation 2017/1129") ("Information Document"). Information Document will not subject to the approval or verification by any of the authority according to Art. 20 of the Regulation 2017/1129, in particular it will not subject to the approval of the Polish Financial Supervision Authority.
According to the Merger Plan the Shareholders of Grupa LOTOS, in exchange for their shares in Grupa LOTOS, will be issued the Merger Shares in the following proportions: 1,075 (PKN ORLEN shares) : 1 (Grupa LOTOS shares) ("Share Swap Ratio").
The foregoing means that, in exchange for 1 (one) share in Grupa LOTOS, the Shareholders of Grupa LOTOS will receive 1,075 PKN ORLEN shares (Merger Shares), with reservation that the number of allotted shares will be a natural number, while the non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of Grupa LOTOS by way of payouts under the terms set out in the Merger Plan.

The first and the second notification for shareholders of the intention to merge PKN ORLEN with Grupa LOTOS
The Management Board of PKN ORLEN acting in compliance with Art. 504.1. of the Polish Code of Commercial Companies notifies shareholders as at 15 June and as at 4 July 2022 of the intention to merge PKN ORLEN with Grupa LOTOS, that will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies through transfer of all assets and liabilities of Grupa LOTOS (company being acquired) to PKN ORLEN (acquiring company) in exchange for shares which the Company will issue to the shareholders of Grupa LOTOS ("Merger").
The transfer of all assets and liabilities of Grupa LOTOS to PKN ORLEN will take place on the Merger Date, i.e. when the Merger is recorded in the business register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN. As from the Merger Day, PKN ORLEN will assume any and all rights and obligations of Grupa LOTOS in compliance with Art. 494.1 of the Polish Code of Commercial Companies (universal succession). Pursuant to Art. 494.4 of the Polish Code of Commercial Companies, as from the Merger Day, the shareholders of Grupa LOTOS will become PKN ORLEN shareholders.
On 2 June 2022 the Company and Grupa LOTOS agreed in writing the merger plan ("Merger Plan").
The Merger requires resolutions of general meetings of the Merging Companies. Pursuant to the Merger Plan, the general meetings of the Merging Companies will be presented draft resolutions on the Merger, which will include, in particular: (i) approval of the Merger Plan and (ii) approval of the proposed amendments to PKN ORLEN's Articles of Association in connection with the Merger ("Merger resolutions"). To conclude the Merger resolutions the Company will convey the general meeting pursuant to the provisions of the Polish Code of Commercial Companies and to the Company's Articles of Association.
Moreover the Company informs that on 15 June 2022 an opinion of an expert has been delivered to the Company regarding the Merger of the Company with Grupa LOTOS, prepared pursuant to Art. 503.1 of the Polish Code of Commercial Companies.
The Merger Plan together with the other documents published by the Company in connection with the Merger, including:
1. Company Extraordinary General Meeting draft resolution on the Merger;
2. Grupa LOTOS Extraordinary General Meeting draft resolution on the Merger;
3. Draft amendments to Company Articles of Association;
4. Document setting forth the value of the assets and liabilities of the Company (prepared pursuant to Art. 499.2.2 of the Polish Code of Commercial Companies);
5. Document setting forth the value of the assets and liabilities of Grupa LOTOS (prepared pursuant to Art. 499.2.2 of the Polish Code of Commercial Companies);
6. Financial statements of the Company and the Company's Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
7. Financial statements of Grupa LOTOS and Grupa LOTOS Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
8. Company Management Board Report drawn up for the purpose of Merger, pursuant to Art. 501 of the Polish Code of Commercial Companies;
9. Grupa LOTOS Management Board Report drawn up for the purpose of Merger, pursuant to Art. 501 of the Polish Code of Commercial Companies;
10. The expert opinion, pursuant to Art. 503.1 of the Polish Code of Commercial Companies
- will be permanently available (in electronic version, printable) on the Company's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-the-LOTOS-Group by the day of closing of the general meetings concluding the Merger resolutions.

European Commission approval for taking control by PKN ORLEN over Grupa LOTOS S.A.
PKN ORLEN announced that on 20 June 2022 the European Commission ("Commission") has approved the purchasers of the assets that are being disposed in order to implement the remedies ("Remedies") that were specified in conditional decision of the Commission as of 14 July 2020 on the concentration involving the acquisition of control by Company over Grupa LOTOS. The Commission has also approved the the agreements concluded with those purchasers.
The promised agreements with the abovementioned purchasers shall be concluded and, as the case may be, the conditional agreements shall come into force within 6 months from the day of their approval by the Commission.

JULY 2022

Publication of the Exemption Document in connection with the planned merger between PKN ORLEN and Grupa LOTOS S.A.
In connection with the planned merger between PKN ORLEN and Grupa LOTOS that will take place pursuant to Article 492.1.1 of the Polish Code of Commercial Companies ("Merger") a document for a prospectus exemption has been prepared in line with Regulation 2021/528 and publicly disclosed ("Exemption Document"). The Exemption Document relates to the public offer of the shares that will be issued within the process of the Merger, addressed to the shareholders of Grupa LOTOS, and to admission and introduction of that shares to public trading organized by the Warsaw Stock Exchange, that is subject to exemption from the prospectus obligations and requirements according to Regulation

2017/1129. The Exemption Document is not subject to the review or approval by a competent authority pursuant to Article 20 of Regulation 2017/1129, in particular, it is not subject to the approval of the Polish Financial Supervision Authority.The Exemption Document is available on the Company's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-the-LOTOS-Group

New deadline for finalization of the Visbreaking Installation at production plant in Plock

PKN ORLEN announced that on 14 July 2022 it signed with KTI Poland S.A. an annex to the agreement for design, deliveries and building "in turn key" formula of the Visbreaking Installation at production plant in Plock. On the base of the annex the realization of the investment has been postponed from the end of 2022 to the mid-2023.

The agreement between PKN ORLEN and the State Treasury regarding planned merger of PKN ORLEN with Grupa LOTOS S.A.

PKN ORLEN announced that on 20 July 2022 there has been signed an agreement between the Company and the State Treasury regarding the planned merger of the Company with Grupa LOTOS ("Agreement").

The Agreement sets forth the Company's declarations of intent not constituting a contractual obligation of the Company regarding: (i) realization of the energy policy of Poland for crude oil and liquid fuels (traditional) and (ii) continuation of employment policy towards employees of the LOTOS Group, who will become employees of the Company's capital group after the merger, assuring proper and safe operating of the workplaces belonging to the LOTOS Group before the merger and also Company's commitment to continue key investments that are realized by Grupa LOTOS before the merger, indicated in the Agreement.

The parties of the Agreement assumes that after the merger of the Company with Grupa LOTOS the key investments of Grupa LOTOS, indicated in the Agreement, will be continued in the minimum scope specified in the Agreement ("Investment Commitments"). The Company declared that immediately after the merger it will verify the conditions for continuation of these investments.

The Company declared also that after the merger and subject to the exceptions described in the Agreement it will take steps towards: (i) diversifying of the supplies of natural resources, in particular crude oil and independence of Poland from Russian crude oil deliveries, (ii) strengthening of the Company's position on the production and distribution of liquid fuels (traditional) market while endeavouring to reduce their emissivity, (iii) development of the Company on the petrochemical products market, including searching for and undertaking investments, (iv) research and projects on the use of alternative fuels, as well as electromobility and (v) maintaining the proper operation of Gdańsk refinery.

Declaration on the Company's realization of the energy policy of Poland will be realized in the scope permitted by the generally applicable law and provisions of the Company's Articles of Association.

The Agreement is not legally binding except for selected provisions regulating, among others, execution of the Investment Commitments, including the Company's liability for breach of these obligations.

In case of culpable non-performance or improper performance of legally binding Investment Commitments by the Company and ineffective expiry of the deadlines provided by the parties of the Agreement to develop the recovery plan for non-performance or improper performance of the Investment Commitments, the Company will be obliged to pay contractual penalties to the State Treasury, which are in a precisely defined amount described in the Agreement.

Subject to the exceptions set out in the Agreement, it will remain in force for a period of 10 years from the date of its conclusion and will be automatically extended in the circumstances defined in the Agreement, for the period necessary for realization of the Investment Commitments. The Agreement will enter into force in principle on the date of the merger of the Company with Grupa LOTOS, i.e. with the date of entry the merger in the relevant register.

EGM adopted resolutions regarding the merger of PKN ORLEN with Grupa LOTOS

PKN ORLEN announced that on 21 July 2022 Extraordinary General Meeting of the Company adopted resolutions regarding:

1) merger between the Company and Grupa LOTOS, the increase of the Company's share capital and the approval of the proposed amendments to the Company's Articles of Association;
2) consent for transfer of fuel storage terminals located in Gdańsk, Gutkowo, Szczecin and Bolesławiec by the Company, which constitute an organized part of enterprise of the Company, in the form of an in-kind contribution to cover shares in the increased share capital of LOTOS Terminale S.A. with its registered office in Czechowice-Dziedzice, which will remain a subsidiary of the Company as a result of the merger of the Company with Grupa LOTOS pursuant to Article 492 § 1.1. of the Code of Commercial Companies;

as presented to the Company's shareholders in the regulatory announcement no 28/2022 dated 23 June 2022.

Agreement of merger plan between PKN ORLEN and PGNiG S.A. and agreement on the ratio of the shares to be exchanged in connection with that merger

PKN ORLEN announced that on 29 July 2022 the Company and Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw ("PGNiG") have signed the merger plan ("Merger Plan"). The Merger Plan assumes that merger will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies, i.e. merger by acquisition of PGNiG (company being acquired) by PKN ORLEN (acquiring company), through transfer of all assets and liabilities of PGNiG to the Company in exchange for shares of the Company that will be issued to the shareholders of PGNiG ("Merger"). The shares will be newly issued through the increase of the Company's share capital ("Merger Shares").

The Company will made a public offer of the Merger Shares addressed to the shareholders of PGNiG on the base of the prospectus approved by the Polish Financial Supervision Authority, in line with Regulation (EU) 2017/1129 of the European Parliament and of the Council as of 14 June 2017 on the prospectus to be published when securities are offered to the

public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJEU L 168, 30.06.2017, p. 12 with amendments).
According to the Merger Plan the Shareholders of PGNiG, in exchange for their shares in PGNiG, will be issued the Merger Shares in the following proportions: 0.0925 (PKN ORLEN shares): 1 (PGNiG shares) ("Share Swap Ratio"). The foregoing means that, in exchange for 1 (one) share in PGNiG, the Shareholders of PGNiG will receive 0.0925 Merger Shares, with reservation that the number of allotted Merger Shares will be a natural number, while the non-allotted fractions of the Merger Shares resulting from the application of the Share Swap Ratio will be compensated to the Shareholders of PGNiG by way of payouts under the terms set out in the Merger Plan.

AUGUST 2022

Registration of merger between PKN ORLEN and Grupa LOTOS, increase in share capital and changes of PKN ORLEN Articles of Association connected with that merger
PKN ORLEN announced that on the basis of the Central Information Office of the National Court Register data it has been informed that on 1 August 2022 merger between PKN ORLEN and Grupa LOTOS S.A. („Grupa LOTOS") ("Merger"), increase in share capital and changes to the Articles of Association of PKN ORLEN ("Articles of Association"), approved by the Company Extraordinary General Meeting on 21 July 2022, were registered in National Court Register by the District Court for Łódź Śródmieście in Łódź, XX Commercial Division of the National Court Register.
The Merger has been conducted pursuant to Article 492.1.1. of the Polish Code of Commercial Companies by transferring all the rights and obligations (assets and liabilities) of Grupa LOTOS (company being acquired) to PKN ORLEN (acquiring company) with the relevant increase of PKN ORLEN's share capital by issuing merger shares to be allocated by PKN ORLEN to Grupa LOTOS' Shareholders.
In accordance with Article 493.2 of the Polish Code of Commercial Companies the Merger is effected on the day when the Merger has been recorded in the register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN. As a result of the registration Grupa LOTOS shall be struck off the register.
As from 1 August 2022, the Company has assumed any and all rights and obligations of Grupa LOTOS in compliance with Article 494.1. of the Polish Code of Commercial Companies (universal succession).
In connection with the Merger the share capital of PKN ORLEN has been increased from PLN 534,636,326.25 (five hundred and thirty four million six hundred and thirty six thousand three hundred and twenty six point twenty five zloty) to the amount of PLN 783,059,906.25 (seven hundred and eighty three million fifty nine thousand nine hundred and six point twenty five zloty).
After registration of the Company's share capital increase the total amount of all issued shares amounts to 626,447,925 (six hundred and twenty six million four hundred and forty seven thousand nine hundred and twenty five) shares with the nominal value of PLN 1.25 (one point twenty five zloty) per one share. The total number of votes resulting from all shares issued by the Company amounts to 626,447,925 (six hundred and twenty six million four hundred and forty seven thousand nine hundred and twenty five).

Conditional registration of PKN ORLEN series E shares in Central Securities Depository of Poland, exchange of Grupa LOTOS shares into PKN ORLEN shares and withdrawal of Grupa LOTOS shares from securities depository
PKN ORLEN announced that on 3 August 2022 Central Securities Depository of Poland ("KDPW") has made a conditional registration of 198,738,864 ordinary series E shares with a nominal value of PLN 1.25 each issued in connection with the merger between the Company and Grupa LOTOS S.A ("Series E shares") under the condition that: (i) the Series E shares will be introduced to trading on the regulated market where other Company's shares with ISIN code PLPKN0000018 were introduced to trading and (ii) submission by the National Support Centre for Agriculture ("KOWR") the representation of will concerning its exercise of the right to acquire the above mentioned shares in accordance with the Act on the Structuring of the Agrarian System dated 11.04.2003 (unified text Journal of Laws 2022 No. 461) or until the lapse of the time during which such right could be exercised.
The registration of the Series E shares will take place within 3 days from receiving by KDPW the decision that the shares will be introduced to trading on the regulated market, however not sooner than on the date indicated in that decision as the day of introduction of that shares to trading on that regulated market and not sooner than after receiving by KDPW of KOWR representation of will concerning its exercise of the right to acquire the above mentioned shares or until the lapse of the time during which such right could be exercised.
Moreover KDPW decided about:
1) exchange of Grupa LOTOS S.A. shares into PKN ORLEN shares, in accordance with the following conditions:
(i) reference date, referred to in § 228 of the Detailed Rules of the KDPW – 3 August 2022,
(ii) share swap ratio 1:1.075,
2) in connection with the exchange of shares, mentioned above, withdraw from securities depository:
(i) 184,825,312 of ordinary bearer shares of Grupa LOTOS S.A., with ISIN code: PLLOTOS00025,
(ii) 48,050 of ordinary registered shares of Grupa LOTOS S.A., with ISIN code: PLLOTOS00033.
Information on the registration of Series E shares will be provided in the form of KDPW operating announcement.

Nationale-Nederlanden OFE Notification of shareholding change in Grupa LOTOS S.A.
PKN ORLEN announced that the Company, acting as legal successor of Grupa LOTOS S.A., received a notification from Nationale Nederlanden Otwarty Fundusz Emerytalny about decreasing of shareholding in Grupa LOTOS S.A. below 5% of total voting rights at the General Meeting of Grupa LOTOS S.A.

National Support Centre for Agriculture representation of will of not exercising the right to acquire PKN ORLEN merger shares issued to be allocated to Grupa LOTOS' shareholders
PKN ORLEN announced that on the basis of information published on 10 August 2022 on the webpage of National Support Centre for Agriculture ("KOWR") in Public Information Bulletin it has been informed that KOWR did not exercise its right under provisions of the Act on the Structuring of the Agrarian System as of 11 April 2003 concerning shaping of agricultural system

(unified text as of 13 January 2022; Journal of Laws of 2022, No. 461) to acquire 198,738,864 ordinary series E shares with a nominal value of PLN 1.25 each, with a total nominal value of PLN 248,423,580 ("Series E shares") issued by the Company in connection with the merger between the Company and Grupa LOTOS Spółka Akcyjna, headquartered in Gdańsk ("Grupa LOTOS"), to be allocated by PKN ORLEN to Grupa LOTOS' shareholders.
Submission by the KOWR the above mentioned representation of will was one of the condition to register Series E shares by the Central Securities Depository of Poland, about which The Company informed in the regulatory announcement no 40/2022 dated 3 August 2022.

Admission and introduction to stock exchange trading on the WSE Main Market of merger shares and delisting of Grupa LOTOS shares
PKN ORLEN announced that on 10 August 2022 the Management Board of the Warsaw Stock Exchange ("WSE"), in connection with the merger between PKN ORLEN and Grupa LOTOS Spółka Akcyjna, headquartered in Gdańsk ("Grupa LOTOS"), has adopted following resolutions:
- regarding delisting of Grupa LOTOS shares on 12 August 2022 from the Main Market of the WSE,
- regarding admission and introduction to stock exchange trading on the WSE Main Market of 198,738,864 ordinary bearer series E shares with a nominal value of PLN 1.25 each ("Series E shares"). WSE Management Board decided to introduce Series E shares on 12 August 2022 to stock exchange trading on the main market, under the condition that the Central Securities Depository of Poland ("KDPW") on 12 August 2022 will register that shares and will mark them with code PLPKN0000018.
Introduction of Series E shares to regulated market was the last condition of registration of Series E shares by KDPW, therefore, the conditions of registration of Series E shares in securities depository have been fulfilled.

Registration of series E shares issued under the public offering in connection with merger between PKN ORLEN and Grupa LOTOS and summary of issue of these shares
PKN ORLEN announced that the Central Securities Depository of Poland published an announcement regarding registration in the securities depository, on 12 August 2022 and under the ISIN code PLPKN0000018, of 198,738,864 ordinary bearer series E shares ("Series E shares") issued under the public offering in connection with merger between PKN ORLEN and Grupa LOTOS Spółka Akcyjna, headquartered in Gdańsk ("Grupa LOTOS") ("Merger"). Therefore, the condition of introduction of Series E shares to stock exchange trading on the Warsaw Stock Exchange Main Market on 12 August 2022 have been fulfilled.
Moreover, the Company provides information about Series E shares:
- Series E shares will be handed over to the Grupa LOTOS shareholders, in connection with the Merger, according to the number of Grupa LOTOS shares held as of the reference day i.e. 3 August 2022, based on the share swap ratio: 1.075 (PKN ORLEN shares) : 1 (Grupa LOTOS shares),
- Series E shares will be handed over to the Grupa LOTOS shareholders on 12 August 2022,
- the number of Series E shares, which will be handed over to the Grupa LOTOS shareholders, resulted from the share swap ratio as of the reference day, without taking into account the shares vested to the Grupa LOTOS shareholders which are subject to sanctions or these for which it cannot be established whether they are exempt from them amounts to 198,092,050,
- the number of Series E shares, which won't be handed over to the Grupa LOTOS shareholders due to their being subject to sanctions or these for which it cannot be established whether they are exempt from them amounts to 639,594,
- the number of Series E shares which won't be handed over due to use of the share swap ratio amounts to 7,220.

The Company indicates that Series E shares for Grupa LOTOS shareholders which are subject to sanctions imposed in connection with aggression of Russia on Ukraine and participation of Belarus in it, or these for which it cannot be established whether they are exempt from above mentioned sanctions were registered on the securities account kept for the Company and were blocked according to the instruction submitted by the Company. Series E shares, referred to in the preceding sentence, will be registered on the securities accounts kept for these shareholders, after establishing by entities keeping securities accounts, grounds for exemption from the above mentioned sanctions and delivering to the Company of statements of these entities stating these circumstances. In the matters set out above the shareholders should directly contact entities keeping their securities accounts.
Due to lack of final settlement of the costs of the issue as of the date of this report PKN ORLEN will prepare and publish a separate regulatory announcement regarding the final costs of the issue.

The opinion of an expert regarding the merger plan of the Company with PGNiG S.A.
PKN ORLEN announced that on 12 August 2022 an opinion of an expert has been delivered to the Company regarding the merger plan dated 29 July 2022 regarding the merger between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw (about which the Company informed in the regulatory announcement no 37/2022 dated 29 July 2022), prepared pursuant to Art. 503.1 of the Polish Code of Commercial Companies.
The expert opinion is available on the PKN ORLEN's website, according to Art. 505.31 of the Polish Code of Commercial Companies, in the tab Merger with PGNiG under the following address: https://www.orlen.pl/en/investor-relations/merger-with-PGNiG , where this document will be, as other documents published there, available not less than until the Company's General Meeting, on which the resolutions are to be adopted, indicated as projects in the attachment no 1 to the merger plan dated 29 July 2022.

Notification from a Shareholder – the State Treasury of shareholding change in PKN ORLEN
PKN ORLEN S announced that the Company received a notification from a Shareholder – the State Treasury, represented by the Minister of the State Assets about an increase in shareholding in PKN ORLEN as a result of the fact that on 1 August 2022 the District Court for Łódź Śródmieście in Łódź, XX Commercial Division of the National Court Register, registered the merger between PKN ORLEN and Grupa LOTOS S.A., increase in share capital and changes to the Articles of Association of PKN

ORLEN approved by the Company Extraordinary General Meeting on 21 July 2022.
Before the change, the State Treasury, represented by the Minister of State Assets, held 117,710,196 of PKN ORLEN shares, which constituted 27.52% of the share capital of the Company and entitled to 117,710,196 of votes at the Company General Meeting, which constituted 27.52% of the total number of votes.
Currently, the State Treasury, represented by the Minister of State Assets, holds 223,414,424 of PKN ORLEN shares, which constitutes 35.66% of the share capital of the Company and entitles to exercise 223,414,424 votes at the General Meeting of the Company, which constitutes 35.66% of the total number of votes.

Moody's Investors Service upgraded PKN ORLEN's rating
PKN ORLEN announced that on 18 August 2022 Moody's Investors Service ("Agency") upgraded issuer rating of PKN ORLEN from the level of Baa2 to Baa1 and also upgraded the baseline credit assessment from Baa3 to Baa2.
The Agency has also upgraded the rating, from the level of Baa2 to Baa1 for the medium term Eurobonds programme up to the amount of EUR 5,000,000,000 ("EMTN Programme"), established by PKN ORLEN.
Concurrently, the Agency also upgraded the rating, from the level of Baa2 to Baa1, of following Eurobonds:
- EUR 500 million maturing in 2028, issued by PKN ORLEN within the EMTN Programme, an
- EUR 750 million maturing in 2023, issued by ORLEN Capital AB and guaranteed by PKN ORLEN.

The outlook on all of today upgraded ratings remains positive.

Temporary shut-down of the nitrogen fertilizers production in Anwil
PKN ORLEN announced on 29 August 2022 that due to unprecedented and record high increase of natural gas prices in Europe, Anwil S.A. decided to temporarily shut-down the production of nitrogen fertilizers. Anwil S.A. constantly monitors the situation on the raw materials market. Once the macroeconomic conditions on the natural gas market stabilize, production will be resumed.
During the shut-down of production lines, Anwil S.A. will be realizing maintenance and investment works.

Change in the Management Board
PKN ORLEN announced that the Supervisory Board of PKN ORLEN, following its meeting on 25 August 2022 appointed Mr Krzysztof Nowicki the Member of the Company's Management Board, with the effect from 1 September 2022.

The first and the second notification for shareholders of the intention to merge PKN ORLEN with PGNiG S.A. headquartered in Warsaw
The Management Board of PKN ORLEN acting in compliance with Art. 504.1. of the Polish Code of Commercial Companies notified shareholders on 26 August and 12 September 2022, respectively of the intention to merge PKN ORLEN with Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw ("PGNiG"), that will be conducted on the basis described in the merger plan, concluded by the Company and PGNiG on 29 July 2022 ("Merger Plan"), information about which has been published by the Company in the regulatory announcement no 37/2022.
The merger, according to the Merger Plan, will be conducted on the base of Art. 492.1.1 of the Polish Code of Commercial Companies through transfer of all assets and liabilities of PGNiG (company being acquired) to PKN ORLEN (acquiring company) in exchange for shares which the Company will issue to the shareholders of PGNiG ("Merger").
The transfer of all assets and liabilities of PGNiG to PKN ORLEN will take place on the Merger Date, i.e. when the Merger is recorded in the business register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN. As from the Merger Day, PKN ORLEN will assume any and all rights and obligations of PGNiG in compliance with Art. 494.1 of the Polish Code of Commercial Companies (universal succession). Pursuant to Art. 494.4 of the Polish Code of Commercial Companies, as from the Merger Day, the shareholders of PGNiG will become PKN ORLEN shareholders.
The Merger requires resolutions of general meetings of the merging companies. Pursuant to the Merger Plan, the general meeting of the Company and the general meeting of PGNiG will be presented draft resolutions on the Merger, which will include, in particular: (i) approval of the Merger Plan and (ii) approval of the proposed amendments to PKN ORLEN's Articles of Association in connection with the Merger ("Merger resolutions"). To conclude the Merger resolutions the Company conveyed the general meeting, pursuant to the provisions of the Polish Code of Commercial Companies and to the Company's Articles of Association, for 28 September 2022, according to regulatory announcement no 51/2022.
Pursuant to Art. 505.3.1 in connection with par.1 of the Polish Code of Commercial Companies following documents are publicly available for shareholders review:

1. Merger Plan with schedules no 1-5;
2. Financial statements of the Company and the Company's Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
3. Financial statements of PGNiG and PGNiG Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
4. PKN ORLEN Management Board Report drawn up for the purpose of Merger;
5. PGNiG Management Board Report drawn up for the purpose of Merger;
6. The expert opinion on the Merger Plan, as of 12 August 2022;

- will be permanently available (in electronic version, printable) on the PKN ORLEN's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-PGNiG by the day of closing of the general meetings concluding the Merger resolutions.

The Company also informs that it has received a confirmation – an opinion of an independent auditor – that the Merger will not be classified as reverse acquisition in the meaning of IFRS 3 Business Combinations (IFRS adopted by Regulation (EC) No 1126/2008 as of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, OJ L 320, 2008, p. 1. with amendments). It means that the Company is entitled to use the exemption from the formal prospectus requirements, in line with Regulation (EU) 2017/1129 of the

European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (OJ L 168, 2017, p. 12 with amendments) providing that an information document will be prepared in line with the Commission Delegated Regulation (EU) 2021/528 of 16 December 2020 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the minimum information content of the document to be published for a prospectus exemption in connection with a takeover by means of an exchange offer, a merger or a division (OJ L 106, 26.3.2021, p. 32), that information document will not subject to the approval of the Polish Financial Supervision Authority.
As a result of the above the legal condition specified in the Merger Plan, i.e. the obligation to prepare the prospectus regarding the Company's shares to be issued to the shareholders of PGNiG (see point 3.4 and 9.1 of the Merger Plan), will not be applicable to the Merger.
As a result of the confirmation that there is no legal obligation to prepare prospectus, the Company, in line with the exemption provided by Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017, will prepare and publish an information document, pursuant to the Commission Delegated Regulation (EU) 2021/528 of 16 December 2020.
The expert who examined the Merger Plan has been informed about the opinion of the auditor as well as about the Company's intention to prepare the information document in place of the prospectus and he stated that circumstances have no impact on conclusions provided in his report.

The statement of claim for annulment of the resolution of Extraordinary General Meeting of Grupa LOTOS S.A.
PKN ORLEN announced that it has received information from the District Court for Łódź-Śródmieście in Łódź, that the Shareholders of the former Grupa LOTOS S.A. ("Grupa LOTOS") filed a claim for annulment of Resolution No. 3 adopted at the Extraordinary General Meeting of Grupa LOTOS on 20 July 2022 on the merger of the Company with Grupa LOTOS, an increase in the share capital of PKN ORLEN and consent to the proposed amendments to the Articles of Association of PKN ORLEN, together with a claim for potential repealing this resolution.
In the Company's opinion the statement of claim is groundless.

Resumption of nitrogen fertilizers production in Anwil S.A.
PKN ORLEN announced that on 29 August 2022 for the sake of the food security in the country and of the health protection in Poland, despite the difficult macroeconomic conditions, Anwil S.A. decided to resume the production of nitrogen fertilizers.

SEPTEMBER 2022

Agreement between PKN ORLEN and ENERGA on financing of CCGT power plant in Gdańsk
PKN ORLEN announced that on 16 September 2022 it concluded with ENERGA an agreement regarding financing ("Agreement") of building of gas power plant (CCGT) in Gdańsk ("Project"). If the investment decision regarding the Project is made, PKN ORLEN declared in the Agreement to finance the whole CAPEX of the Project, but not more than PLN 2.5 billion, while the financing provided by PKN ORLEN will take place after the financing provided by ENERGA.
PKN ORLEN may withdraw from the Agreement if a capacity agreement is not concluded by the company CCGT Gdańsk Sp. z o.o. (special purpose vehicle company that realizes the Project).
Covering of indicated CAPEX will take place through the provision of cash to ENERGA or the company CCGT Gdańsk Sp. z o.o. for equity or on a debt financing basis. The Agreement specifies also the principles of supervision over the company CCGT Gdańsk Sp. z o.o. and managing of the Project.
The Agreement replaces the letter of intent about which PKN ORLEN informed in the regulatory announcements no. 54/2021 dated 29 December 2021 and no. 58/2020 dated 2 November 2020.
PKN ORLEN holds 90.92% of ENERGA shares that entitle to 93.28% of the total votes at the ENERGA S.A. general meeting of shareholders.

Motion of the Shareholder the State Treasury regarding PKN ORLEN Extraordinary General Meeting convened for 28 September 2022
PKN ORLEN announced that on 20 September 2022 to the Company there was delivered a motion of the Shareholder, the State Treasury, represented by the Minister of the State Assets, with a proposal for changes to the published draft resolution regarding point no 6 of the agenda of the PKN ORLEN Extraordinary General Meeting, convened for 28 September 2022:
"6. Voting on a resolution on merger between the Company and Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, registered office in Warsaw, KRS No. 0000059492 and the increase of the Company's share capital and the approval of the proposed amendments to the Company's Articles of Association."

Publication of the Exemption Document in connection with the planned merger between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw
In connection with the planned merger between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. headquartered in Warsaw ("PGNiG"), that will take place pursuant to Article 492(1)(1) of the Polish Code of Commercial Companies ("Merger") a document for a prospectus exemption has been prepared in line with Regulation 2021/528 and publicly disclosed ("Exemption Document"). The Exemption Document relates to the public offer of the shares that will be issued within the process of the Merger, addressed to the shareholders of PGNiG, and to admission and introduction of that shares to public trading organized by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.), that is subject to exemption from the prospectus obligations and requirements according to Regulation 2017/1129. The Exemption Document is not subject to the review or approval by a competent authority pursuant to Article 20 of Regulation 2017/1129, in particular, it is not subject to the approval of the Polish Financial Supervision Authority.
The Exemption Document is available on the PKN ORLEN's website under the following address: https://www.orlen.pl/en/investor-relations/merger-with-PGNiG.

EGM adopted resolution regarding the merger of PKN ORLEN with PGNiG S.A.
PKN ORLEN announced that on 28 September 2022 Extraordinary General Meeting of the Company adopted resolution regarding merger between the Company and Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, registered office in Warsaw, and the increase of the Company's share capital and the approval of the proposed amendments to the Company's Articles of Association.

OCTOBER 2022

New deadline for finalization of the investment - extension of fertilizers production capacities at ANWIL S.A.
PKN ORLEN announced that on 7 October 2022 there have entered into force the terms of Memorandum of Understanding ("MoU") signed between ANWIL S.A. and Tecnimont S.p.A., on the base of which there will be prepared an annex to the agreement with Tecnimont S.p.A. as of 28 June 2019 for design, deliveries and building "in turn key" formula a granulation unit in ANWIL S.A. in Wloclawek ("Annex to the Agreement"). The main provisions of MoU that will be finally implemented in the Annex to the Agreement, caused the change of the date of finalizing of the building of granulation unit in ANWIL S.A. for the end of June 2023 and its start-up by the end of July 2023.
The agreement with Tecnimont S.p.A. is one of the three most important contracts concluded within the frames of the extension of fertilizers production capacities in ANWIL S.A.
In addition, unfavorable macroeconomic conditions in which the investment is realized affect not only the extension of the investment finalization but also the investment budget, which is currently estimated at approximately PLN 1.7 billion.

Moody's Investors Service upgraded PKN ORLEN's credit rating
PKN ORLEN announced that on 27 October 2022 Moody's Investors Service ("Agency") upgraded issuer rating of PKN ORLEN from the level of Baa1 to A3 and also affirmed Baa2 baseline credit assessment.
The Agency has also upgraded the rating, from the level of Baa1 to A3 for the medium term Eurobonds programme up to the amount of EUR 5,000,000,000 ("EMTN Programme"), established by PKN ORLEN.
Concurrently, the Agency also upgraded the rating, from the level of Baa1 to A3, of following Eurobonds:
- EUR 500 million maturing in 2028, issued by PKN ORLEN within the EMTN Programme, and
- EUR 750 million maturing in 2023, issued by ORLEN Capital AB and guaranteed by PKN ORLEN.

The outlook on all of today ratings has changed to stable from positive.

Change in the Management Board
PKN ORLEN announced that the Supervisory Board of PKN ORLEN following its meeting on 27 October 2022 appointed Ms. Iwona Waksmundzka-Olejniczak and Mr. Robert Perkowski to hold the position of the Member of the Company's Management Board, with the effect from 3 November 2022.

Registration of merger between PKN ORLEN and PGNiG S.A., increase in share capital and changes of PKN ORLEN Articles of Association connected with that merger
PKN ORLEN announced that on the basis of the Central Information Office of the National Court Register data it has been informed that on 2 November 2022 merger between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG") ("Merger"), increase in share capital and changes to the Articles of Association of PKN ORLEN ("Articles of Association"), approved by the Company Extraordinary General Meeting on 28 September 2022, were registered in National Court Register by the District Court for Łódź Śródmieście in Łódź, XX Commercial Division of the National Court Register.
The Merger has been conducted pursuant to Article 492(1)(1) of the Polish Code of Commercial Companies by transferring all the rights and obligations (assets and liabilities) of PGNiG S.A. (company being acquired) to PKN ORLEN (acquiring company) with the relevant increase of PKN ORLEN's share capital by issuing merger shares to be allocated by PKN ORLEN to PGNiG S.A. Shareholders.
In accordance with Article 493(2) of the Polish Code of Commercial Companies the Merger is effected on the day when the Merger has been recorded in the register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN. As a result of the registration PGNiG S.A. shall be struck off the register.
As from 2 November 2022, the Company has assumed any and all rights and obligations of PGNiG S.A. in compliance with Article 494(1) of the Polish Code of Commercial Companies (universal succession).
In connection with the Merger the share capital of PKN ORLEN has been increased from PLN 783,059,906.25 (seven hundred and eighty three million fifty nine thousand nine hundred and six point twenty five zloty) to the amount of PLN 1,451,177,561.25 (one billion four hundred and fifty one million one hundred and seventy seven thousand five hundred and sixty one point twenty five zloty). After registration of the Company's share capital increase the total amount of all issued shares amounts to 1,160,942,049 (one billion one hundred and sixty million nine hundred and forty two thousand and forty nine) shares with the nominal value of PLN 1.25 (one point twenty five zloty) per one share. The total number of votes resulting from all shares issued by the Company amounts to 1,160,942,049 (one billion one hundred and sixty million nine hundred and forty two thousand and forty nine).
The registered changes to the Company's Articles of Association related to the Merger were adopted in the resolution no. 4 of the PKN ORLEN Extraordinary General Meeting as of 28 September 2022.

NOVEMBER 2022

Notification from a Shareholder – the State Treasury of shareholding change in PKN ORLEN
PKN ORLEN announced that the Company received a notification from a Shareholder – the State Treasury, about an increase of share in the total number of votes in PKN ORLEN, from 31.14% to 49.90%.
Before the change, the State Treasury, represented by the Minister of State Assets, held 195,092,264 of PKN ORLEN shares, which constituted 31.14% of the share capital of the Company and entitled to 195,092,264 of votes at the Company General Meeting, which constituted 31.14% of the total number of votes.
Currently, the State Treasury, represented by the Minister of State Assets, holds 579,310,083 PKN ORLEN shares, which constitutes 49.90% of the share capital of the Company and entitles to exercise 579,310,083 votes at the General Meeting of the

Company, which constitutes 49.90% of the total number of votes.

Notification from a Shareholder – Aviva OFE of shareholding change in PKN ORLEN
PKN ORLEN announced that the Company received a notification from a Shareholder – Aviva Otwarty Fundusz Emerytalny Aviva Santander („Aviva OFE") about a decrease of share in the total number of votes in PKN ORLEN, from 5.43% to 3.99%.
Before the change Aviva OFE held 34,023,504 of PKN ORLEN shares, which constituted 5.43% of the share capital of the Company and entitled to 34,023,504 of votes at the Company General Meeting, which constituted 5.43% of the total number of votes.
Currently, Aviva OFE will hold 46,274,140 PKN ORLEN shares, which will constitute 3.99% of the share capital of the Company and will entitle to exercise 46,274,140 votes at the General Meeting of the Company, which will constitute 3.99% of the total number of votes.

Fitch Ratings upgraded PKN ORLEN's rating
PKN ORLEN announced that on 9 November 2022 Fitch Ratings ("Agency") upgraded issuer rating of PKN ORLEN ("Long-Term Issuer Default Rating") from the level of "BBB-" to "BBB+" with the stable outlook. The upgrade of rating is a result of closing of the merger between PKN ORLEN and PGNiG S.A. as well as closing of the other recent merger and acquisitions transactions.
With reference to the change of the long-term rating of the Company the Agency also upgraded the other ratings of the Company and its debt:
- the Company's Short-Term Issuer Default Rating from "F3" to "F2"
- the Company's Local Currency Long-Term Issuer Default Rating from „BBB-" to „BBB+"
- the Company's Local Currency Short -Term Issuer Default Rating from "F3" to "F2"
- the Company's National Long-Term rating from "A(pol)" to "AA+(pol)"
- the rating of the medium term Eurobonds programme up to the amount of EUR 5,000 million, established by PKN ORLEN and issue of EUR 500 million maturing in 2028 („senior unsecured Long Term") from „BBB-" to „BBB+"
- the rating of issue of EUR 750 million maturing in 2023, issued by ORLEN Capital AB and guaranteed by PKN ORLEN („senior unsecured Long Term"), from „BBB-" to „BBB+"
- the national rating of retail bond series B maturing in December 2022 („senior unsecured National Long-Term") from "A(pol)" to "AA+(pol)".

National Support Centre for Agriculture representation of will of not exercising the right to acquire PKN ORLEN merger shares issued to be allocated to PGNiG S.A. shareholders
PKN ORLEN announced that on the basis of information published on 10 November 2022 on the webpage of National Support Centre for Agriculture ("KOWR") in Public Information Bulletin it has been informed that KOWR did not exercise its right under provisions of the Act on the Structuring of the Agrarian System as of 11 April 2003 (unified text as of 13 January 2022; Journal of Laws of 2022, No. 461) to acquire 534,494,124 ordinary series F shares with a nominal value of PLN 1.25 each, with a total nominal value of PLN 668,117,655 ("Series F shares") issued by the Company in connection with the merger between the Company and Polskie Górnictwo Naftowe i Gazownictwo S.A. („PGNiG S.A."), to be allocated by PKN ORLEN to PGNiG S.A. shareholders.

Admission and introduction to stock exchange trading on the WSE Main Market of merger shares and delisting of PGNiG S.A. shares
PKN ORLEN announced that on 15 November 2022 the Management Board of the Warsaw Stock Exchange ("WSE"), in connection with the merger between PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A., headquartered in Warsaw ("PGNiG"), has adopted following resolutions:
- regarding delisting of 5,778,314,857 PGNiG ordinary Series A bearer shares with a par value of PLN 1 each from the Main Market of the WSE on 18 November 2022,
- regarding admission and introduction to stock exchange trading on the WSE Main Market of 534,494,124 ordinary bearer Series F PKN ORLEN shares with a par value of PLN 1.25 each ("Series F shares"). WSE Management Board decided to introduce Series F shares to stock exchange trading on the Main Market on 18 November 2022, under the condition that the Central Securities Depository of Poland ("KDPW") will register that shares and will mark them with code PLPKN0000018 on 18 November 2022.
Introduction of Series F shares to regulated market was the last condition of registration of Series F shares by KDPW, therefore, the conditions of registration of Series F shares in securities depository have been fulfilled.

Registration of Series F shares issued under the public offering in connection with merger of PKN ORLEN and PGNiG S.A. and summary of issue of these shares
PKN ORLEN announced that the Central Securities Depository of Poland published an announcement regarding registration of 534,494,124 ordinary bearer Series F shares ("Series F shares") in the securities depository, under the ISIN code PLPKN0000018 on 18 November 2022, and issued under the public offering in connection with merger between PKN ORLEN and Polskie Górnictwo i Gazownictwo S.A., headquartered in Warsaw ("PGNiG") ("Merger"). Therefore, the condition of Series F introduction to trading on the Warsaw Stock Exchange Main Market on 18 November 2022 have been fulfilled.
Moreover, the Company provides information about Series F shares:
- Series F shares will be handed over to the PGNiG shareholders, in connection with the Merger, according to the number of PGNiG shares held as of the reference day i.e., 4 November 2022, based on the share swap ratio: 0.0925 (PKN ORLEN shares): 1 (PGNiG shares),
- Series F shares will be handed over to the PGNiG shareholders on 18 November 2022,
- the number of Series F shares, which will be handed over to the PGNiG shareholders, resulted from the share swap ratio as of

the reference day, without taking into account the shares vested to the PGNiG shareholders which are subject to sanctions or these for which it cannot be established whether they are exempt from them amounts to 534,206,038,
- the number of Series F shares, which will not be handed over to the PGNiG shareholders due to their being subject to sanctions or these for which it cannot be established whether they are exempt from them amounts to 261,148,
- the number of Series F shares which will not be handed over due to use of the share swap ratio amounts to 26,938.
The Company indicates that Series F shares for PGNiG shareholders which are subject to sanctions imposed in connection with aggression of Russia on Ukraine and participation of Belarus in it, or these for which it cannot be established whether they are exempt from above mentioned sanctions were registered on the securities account kept for the Company and were blocked according to the instruction submitted by the Company. Series F shares, referred to in the preceding sentence, will be registered on the securities accounts kept for these shareholders, after establishing by entities keeping securities accounts, grounds for exemption from the above-mentioned sanctions and delivering to the Company of statements of these entities stating these circumstances. In the matters set out above the shareholders should directly contact entities keeping their securities accounts.
Due to lack of final settlement of the costs of the issue as of the date of this report PKN ORLEN will prepare and publish a separate regulatory announcement regarding the final costs of the issue.

The statement of claim for repealing the resolution of Extraordinary General Meeting of PGNiG S.A.
PKN ORLEN announced that 28 November 2022 the District Court for Łódź, X Commercial Division, delivered to the Company the statement of claim filed by a shareholder of the former Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, for repealing of the resolution No. 3/2022 adopted at the Extraordinary General Meeting of PGNiG S.A. on 10 October 2022 on the merger of the Company with PGNiG S.A. and consent to the proposed amendments to the Articles of Association of PKN ORLEN, together with a claim for potential annulment of this resolution.
In the Company's opinion the statement of claim is groundless.

Correction of notification from a Shareholder – State Treasury of shareholding change in PKN ORLEN
PKN ORLEN announced that the Company received a correction of notification from the Shareholder – State Treasury, about the change of share in the total number of votes in PKN ORLEN.
In the notification sent to the Company on 7 November 2022, the Shareholder - State Treasury informed that it held 579,310,083 of PKN ORLEN shares, which constituted 49.90% of the Company share capital and entitled to 579,310,083 of votes at the Company General Meeting, which constituted 49.90% of the total number of votes.
In today's notification, the Shareholder corrected the number of PKN ORLEN shares held. Currently, the State Treasury holds 579,310,079 PKN ORLEN shares, which constitutes 49.90% of the Company share capital and entitles to exercise 579,310,079 votes at the General Meeting of the Company, which constitutes 49.90% of the total number of votes.

Conclusion of agreements with Aramco Overseas Company B.V. as part of the finalization of the implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN S.A. over Grupa LOTOS S.A.
PKN ORLEN announced that in order to implement remedies in fuels production market and fuels wholesales market area specified in the decision of the European Commission as of 14 July 2020 on concentration of taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS"), ("Remedies"), on 30 November 2022 the Company signed with:

1. Aramco Overseas Company B.V. („Aramco") the final agreement on sales to Aramco of 100% of shares in LOTOS SPV 1 Sp. z o. o. ("LOTOS SPV 1"), to which as a result of the division of LOTOS Paliwa Sp. z o. o. ("LOTOS Paliwa"), an organized part of fuel wholesale enterprise was contributed, for the price which consists of fixed element in the amount of ca. PLN 1 bilion and variable element, depending on the level of net debt and working capital of LOTOS SPV 1 as on the day of signing of the final agreement;
2. Aramco the final agreement on sales to Aramco of 30% of shares in Rafineria Gdańska Sp. z o. o. („Rafineria Gdańska"), to which the refinery located in Gdańsk ("Refinery") was contributed as an in-kind contribution, for the price which consists of fixed element in the amount of ca. PLN 1.15 billion and variable element, depending on the level of net debt and working capital of Rafineria Gdańska as on the day of signing of the final agreement;
3. Aramco and Rafineria Gdańska a joint venture agreement ("JV Agreement") specifying the terms of cooperation between partners in Rafineria Gdańska, including the corporate governance adopted therein and the powers granted to them;
4. LOTOS SPV 1 and Rafineria Gdańska a processing agreement ("Processing Agreement"), which will be effective for contractual period of JV Agreement. Pursuant to the Processing Agreement, Rafineria Gdańska will provide PKN ORLEN and LOTOS SPV 1 ("Processors") with services related to the processing of feedstock supplied by Processors in order to obtain refining products for Processors. Each of the Processors will be the owner of the feedstock it supplies and the refining products obtained from this feedstock;
5. LOTOS SPV 1 and Rafineria Gdańska an off-take agreement ("Off-take Agreement"), which will be effective for contractual period of JV Agreement. Pursuant to the Off-take Agreement, LOTOS SPV 1 will be entitled, but not obliged, to purchase from the Company each year an agreed volumes of diesel and unleaded gasoline ("Products"). The annual volumes of Products sold will be reduced in proportion to the reduction in production resulted from shutdowns or slowdowns in the Refinery's operation;
6. LOTOS SPV 1 a framework agreement on storage of mandatory reserves of crude oil by the Company, on behalf of LOTOS SPV 1, effective for a period of 10 years from the date of its entry into force;
7. LOTOS SPV 1 a framework agreement on railway logistics outsourcing services provided by PKN ORLEN on behalf of LOTOS SPV 1, effective for a period when the Processing and Off-take Agreements are in force.

In order to implement Remedies in aviation fuels market area on 30 November 2022, the Company and Aramco signed the final agreement for the sale to Aramco of all shares held by the Company in LOTOS-Air BP Polska sp. z o.o. ("LOTOS-Air BP").

Accordingly, all conditions for the entry into force of the agreements concluded between the Company and LOTOS-Air BP on 12 January 2022 have been fulfilled, i.e.:

1. conditional agreement on sale of aviation fuel to LOTOS-Air BP, effective for a period of up to 15 years from the date of its entry into force;
2. conditional agreement on LOTOS-Air BP aviation fuel storage at the Company's fuel terminal, effective for a period of up to 15 years from the date of its entry into force;
3. conditional agreement on providing services of operating activity support in case of force majeure between PKN ORLEN, ORLEN Aviation Sp. z o.o. and LOTOS-Air BP, effective for a period of up to 15 years from the date of its entry into force.

Continuing the cooperation started in January 2022, on 30 November 2022, PKN ORLEN signed with Saudi Arabian Oil Company and Saudi Basic Industries Corporation a joint development agreement for the common realization of a feasibility study for petrochemical complex in Gdansk.

Conclusion of agreements with MOL Hungarian Oil and Gas Public Limited Company as part of the finalization of the implementation of remedies according to conditional decision of the European Commission on taking control by PKN ORLEN S.A. over Grupa LOTOS S.A.

PKN ORLEN announced that in order to implement remedies specified in the decision of the European Commission as of 14 July 2020 on concentration of taking control by PKN ORLEN over Grupa LOTOS S.A. headquartered in Gdańsk ("Grupa LOTOS") in retail market area, on 30 November 2022, the Company signed with:

1. MOL Hungarian Oil and Gas Public Limited Company („MOL"), the final agreement for the sale of 100% of shares in LOTOS Paliwa for the price which consist of fixed element in the amount of ca. USD 610 million and variable element, depending on the level of net debt and working capital of LOTOS Paliwa as on the day of signing of the final agreement;
2. LOTOS Paliwa, the agreement on sales of fuels to LOTOS Paliwa, effective for a period of up to 8 years from the date of its entry into force;
3. LOTOS Paliwa, the licence agreement specifying the terms and conditions for the use by LOTOS Paliwa of the trademarks used at LOTOS stations for the purpose of rebranding them after the acquisition of shares in LOTOS Paliwa by MOL, effective for a period of 5 years from the date of its entry into force.

At the same time the Company informs that works to complete the final agreement on the base of which companies form ORLEN Group will acquire from MOL fuel stations located in Hungary and Slovakia from MOL are under way.

DECEMBER 2022

ORLEN Unipetrol RPA s.r.o. concluded agreements for the purchase of petrol stations in Hungary and Slovakia

PKN ORLEN announced that on 1 December 2022, ORLEN Unipetrol RPA s.r.o. ("ORLEN Unipetrol") concluded agreements ("Agreements"), with MOL Hungarian Oil and Gas Public Limited Company ("MOL"), resulting with acquisition of 100% of shares in Normbenz Magyarország Kft with its registered office in Budapest by ORLEN Unipetrol. As a result of the Agreements, ORLEN Unipetrol will become the owner of 79 petrol stations located in Hungary.

Moreover, according to the Agreements the relevant companies from the ORLEN Unipetrol Group will acquire 103 more fuel stations located in Slovakia and Hungary, where the acquisition and rebranding of 64 stations in Hungary will be gradually realized by mid-2024, and 39 stations in Slovakia by mid-2023.

Terms and conditions of the Agreements are consistent with the information published by PKN ORLEN S.A. in the regulatory announcement no 2/2022 of 12 January 2022, including the estimated total value of all transactions of acquiring by the companies from ORLEN Group the fuel stations located in Hungary and Slovakia which will amount to EUR 229 million subject to customary adjustments at the day of handover.

Final investment decisions on development of oil and gas discoveries on the Norwegian shelf

PKN ORLEN announced that on 12 December 2022 LOTOS Exploration & Production Norge AS („LOTOS Norge") together with its partners: Aker BP ASA („Aker BP") and Equinor Energy AS ("Equinor") have made a final investment decision to develop oil and gas discoveries on the Norwegian shelf: North of Alvheim and Fulla (within "the NOAKA Project"). The share of LOTOS Norge in the areas amounts to 12.3% and AkerBP is the operator.

LOTOS Norge's equity involvement in the NOAKA Project is proportional to its share in North of Alvheim and Fulla within the project and amounts up to NOK 2.3 billion. The extractable resources attributable to LOTOS Norge are estimated at the level of ca. 39 million barrels of oil equivalent.

Moreover on 12 December 2022 PGNiG Upstream Norway AS („PGNiG Norway") together with its partners: Aker BP ASA („Aker BP"), Equinor and WintershalDEA have made a final investment decision to develop oil and gas discoveries on the Norwegian shelf: Fenris (PGNiG Norway share amounts to 22.2%), Ørn (PGNiG Norway share amounts to 40.0%) and Alve Nord (PGNiG Norway share amounts to 11.9%). AkerBP is the operator of all the areas and total extractable resources attributable to PGNiG Norway are estimated at the level of 65.3 million barrels of oil equivalent. PGNiG Norway's equity involvement in the projects is proportional to its share in the areas within the project and amounts to ca. NOK 2.8 billion.

Start of the production of hydrocarbons on both projects is planned for 2027. The work will start under the condition that the Norwegian Parliament sanctions the plans for development and operation of the areas. PKN ORLEN holds 100% of shares in LOTOS Norge and in PGNiG Norway.

The statement of claim for repealing the resolution of Extraordinary General Meeting of PGNiG S.A.

PKN ORLEN announced that on 12 December 2022 the Company received information about next statement of claim for repealing of the resolution No. 3/2022 adopted at the Extraordinary General Meeting of PGNiG on 10 October 12022 on the merger of the Company with PGNiG and consent to the proposed amendments to the Articles of Association of PKN ORLEN. In the Company's opinion the statement of claim is groundless.

Information on the total amount of compensation received by PGNiG Obrót Detaliczny from the Price Difference Payment Fund in 2022
PKN ORLEN announced that as a result of receiving on 30 December 2022 of another tranche of compensation from the Price Difference Payment Fund pursuant to Art. 8.1 of the Act of 26 January 2022 on Special Solutions for the Protection of Gas Fuel Consumers in View of the Situation on the Gas Market (the "Compensation"), the subsidiary PGNiG Obrót Detaliczny Sp. z o. o. ("PGNiG Obrót Detaliczny") received a total of PLN 7.934 billion in Compensation in the period from 7 March to 30 December 2022.
PGNiG Obrót Detaliczny is among the entities entitled to receive the Compensation.

JANUARY 2023

Change in the Supervisory Board
PKN ORLEN announced that on 11 January 2023 the Minister of the State Assets, acting on behalf of the shareholder the State Treasury, according to § 8 item 2 point 1 of the Company's Articles of Association appointed Ms Janina Goss to the PKN ORLEN S.A. Supervisory Board.

FEBRUARY 2023

The first notification of shareholders of the intention to merge PKN ORLEN with LOTOS SPV5 sp. z o.o. headquartered in Gdańsk
The Management Board of PKN ORLEN acting pursuant to Art. 504.1. of the Polish Code of Commercial Companies ("CCC") notifies the shareholders of the intention to merge PKN ORLEN with LOTOS SPV5 sp. z o.o. headquartered in Gdańsk, KRS No. 0000896706 ("SPV5"), that will be conducted on the base of Art. 492.1.1 in connection with Art. 516.6 of the CCC, i.e. through transfer of all assets and liabilities of SPV5 (target company), PKN ORLEN sole shareholder company, to PKN ORLEN (acquiring company), without the necessity to increase the Company's share capital or amend PKN ORLEN's Articles of Association in connection with the merger ("Merger").
The transfer of all assets and liabilities of SPV5 to PKN ORLEN will take place on the Merger Date, i.e. when the Merger is recorded in the Entrepreneurs Register of the National Court Register by the registry court of proper venue for the registered office of PKN ORLEN. As from the Merger Day, PKN ORLEN will assume any and all rights and obligations of SPV5 in compliance with Art. 494.1 of the CCC (universal succession) and the effect specified in Art. 494.4 of the CCC, will not occur because apart from the Company there are no other shareholders in SPV5.
On 7 February 2023, the Company and SPV5 agreed in writing on the merger plan, which was published by the Company on its website: www.orlen.pl/en/investor-relations/Merger-with-LOTOS-SPV5 ("Merger Plan").
The Merger requires resolutions of general meetings of the merging companies. Pursuant to the Merger Plan, draft resolutions on the Merger, including Merger Plan approval ("Merger resolution") will be submitted for adoption to the general meeting of the Company and the shareholders meeting of SPV5. To adopt the Merger resolution, the Company will convene the general meeting, pursuant to the provisions of the CCC and to the Company's Articles of Association, for a date not earlier than 20 March 2023, of which the Company will notify in a separate regulatory announcement.
Pursuant to Art. 505.3.1 in connection with par.1 of the CCC following documents are publicly available for shareholders review:
1. Merger Plan with attachments 1-5;
2. Financial statements of the Company and the Company's Management Board reports for 2019, 2020 and 2021, together with the auditor's report;
3. Financial statement of SPV5 and SPV5 Management Board report for the entire period of operation until the end of 2021.

- and will be continuously available (in electronic version, printable) on the PKN ORLEN's website under the following address: www.orlen.pl/en/investor-relations/Merger-with-LOTOS-SPV5 by the day of closing of the Company's general meeting and the shareholders meeting of SPV5 concluding the Merger resolutions.

3. Other information

3.1. Composition of the Management Board and the Supervisory Board

As at the date of approval of these interim condensed consolidated financial statements, the composition of the management and supervisory bodies of the Company is as follows:

Management Board

Daniel Obajtek – President of the Management Board, Chief Executive Officer
Armen Konrad Artwich – Member of the Management Board, Corporate Affairs
Adam Burak – Member of the Management Board, Communication and Marketing
Patrycja Klarecka – Member of the Management Board, Retail Sales
Krzysztof Nowicki – Member of the Management Board, Production and Optimization
Robert Perkowski – Member of the Management Board, Upstream
Michał Róg – Member of the Management Board, Wholesale and International Trades
Piotr Sabat – Member of the Management Board, Development
Jan Szewczak – Member of the Management Board, Chief Financial Officer
Iwona Waksmundzka-Olejniczak – Member of the Management Board, Strategy and Sustainability
Józef Węgrecki – Member of the Management Board, Operations

(in PLN million)

Supervisory Board

Wojciech Jasiński	– Chairman of the Supervisory Board
Andrzej Szumański	– Vice-Chairman of the Supervisory Board, Independent Member of the Supervisory Board
Anna Wójcik	– Secretary of the Supervisory Board
Janina Goss	– Member of the Supervisory Board
Barbara Jarzembowska	– Independent Member of the Supervisory Board
Andrzej Kapała	– Independent Member of the Supervisory Board
Michał Klimaszewski	– Independent Member of the Supervisory Board
Roman Kusz	– Independent Member of the Supervisory Board
Jadwiga Lesisz	– Member of the Supervisory Board
Anna Sakowicz-Kacz	– Independent Member of the Supervisory Board

3.2. Shareholders holding directly or indirectly via related parties at least 5% of total votes at the Parent's General Shareholders' Meeting as at the submission date of this report

Shareholder	Percentage share in total voting rights at Shareholder's Meeting as at submission date
State Treasury *	49.90%
Nationale-Nederlanden OFE **	5.23%
Other	44.87%
	100.00%

** according to the notification submitted by the shareholder to PKN ORLEN on 29 November 2022*
*** according to the information published by Nationale-Nederlanden Otwarty Fundusz Emerytalny on 2 January 2023*

3.3. Changes in the number of the Parent Company's shares held by the Management Board and the Supervisory Board Members

As at the date of preparation of these interim condensed consolidated financial statements, the Members of the Management Board did not hold any shares in PKN ORLEN.

Changes in the number of the Company's Shares held by the Supervisory Board Members

	Number of shares, options as at the date of the quarterly report filling *	Acquisition	Disposal	Number of shares, options as at the date of the prior quarterly report filling **
Supervisory Board	**925**	**-**	-	**925**
Roman Kusz	925	-	-	925

** According to the confirmations received as at 23 November 2022*
*** According to the confirmations received as at 17 February 2023*

In the period covered by these interim condensed consolidated financial statements, there were no changes in the ownership of PKN ORLEN shares held by Members of the Management Board and the Supervisory Board.

3.4. Statement of the Management Board regarding the possibility to realise previously published forecasts of current year results

The ORLEN Group did not publish forecasts of its results for a particular year.

QUARTERLY FINANCIAL INFORMATION
PKN ORLEN

FOR THE 4th QUARTER 2022

PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

C. QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN

Separate statement of profit or loss and other comprehensive income

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Sales revenues	205 799	77 530	89 680	29 033
revenues from sales of finished goods and services	*140 765*	*58 354*	*50 709*	*15 817*
revenues from sales of merchandise and raw materials	*65 034*	*19 176*	*38 971*	*13 216*
Cost of sales	(174 403)	(66 871)	(78 917)	(26 542)
cost of finished goods and services sold	*(111 360)*	*(48 038)*	*(41 576)*	*(13 828)*
cost of merchandise and raw materials sold	*(63 043)*	*(18 833)*	*(37 341)*	*(12 714)*
Gross profit on sales	**31 396**	**10 659**	**10 763**	**2 491**
Distribution expenses	(6 662)	(2 072)	(5 074)	(1 410)
Administrative expenses	(1 513)	(502)	(1 138)	(290)
Other operating income, incl.:	16 824	10 551	5 090	2 258
gain on bargain purchase of the Grupa LOTOS S.A. and of the PGNiG S.A.	*12 465*	*7 996*	*21*	*5*
Other operating expenses	(9 763)	(2 357)	(1 804)	(578)
(Loss)/reversal of loss due to impairment of trade receivables	(27)	(32)	(7)	(3)
Profit from operations	**30 255**	**16 247**	**7 830**	**2 468**
Finance income	4 073	792	3 333	1 744
Finance costs	(3 025)	69	(1 258)	(299)
Net finance income and costs	**1 048**	**861**	**2 075**	**1 445**
(Loss)/reversal of loss due to impairment of loans and interest on trade receivables	(149)	(106)	(6)	(3)
Profit before tax	**31 154**	**17 002**	**9 899**	**3 910**
Tax expense	(3 529)	(1 739)	(1 501)	(619)
current tax	*(4 382)*	*(1 934)*	*(1 532)*	*(808)*
deferred tax	*853*	*195*	*31*	*189*
Net profit	**27 625**	**15 263**	**8 398**	**3 291**
Other comprehensive income:				
which will not be reclassified subsequently into profit or loss	**34**	**28**	**34**	**18**
fair value measurement of investments property as at the date of reclassification	*-*	*-*	*16*	*16*
actuarial gains and losses	*43*	*30*	*19*	*8*
gains/(losses) on investments in equity instruments at fair value through other comprehensive income	*(1)*	*5*	*7*	*(2)*
deferred tax	*(8)*	*(7)*	*(8)*	*(4)*
which will be reclassified into profit or loss	**4 962**	**5 244**	**(349)**	**(239)**
hedging instruments	*5 652*	*6 245*	*(180)*	*122*
hedging costs	*474*	*229*	*(251)*	*(417)*
deferred tax	*(1 164)*	*(1 230)*	*82*	*56*
	4 996	**5 272**	**(315)**	**(221)**
Total net comprehensive income	**32 621**	**20 535**	**8 083**	**3 070**
Net profit and diluted net profit per share (in PLN per share)	23.8	4.07	19.63	7.69

QUARTERLY FINANCIAL INFORMATION OF PKN ORLEN (in PLN million)

Separate statement of financial position

	31/12/2022 (unaudited)	31/12/2021
ASSETS		
Non-current assets		
Property, plant and equipment	36 449	17 997
Intangible assets	3 425	1 667
Right-of-use asset	2 637	2 382
Shares in subsidiaries and jointly controlled entities	48 869	19 274
Deferred tax assets	2 187	-
Derivatives	1 252	265
Long-term lease receivables	20	20
Other assets, incl.:	12 845	2 704
loans granted	*11 767*	*2 490*
	107 684	**44 309**
Current assets		
Inventories	34 017	11 167
Trade and other receivables	22 143	9 867
Current tax assets	450	4
Cash	7 944	1 521
Derivatives	2 094	1 191
Other assets	17 743	2 744
Non-current assets classified as held for sale	1 218	150
	85 609	**26 644**
Total assets	**193 293**	**70 953**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1 974	1 058
Share premium	46 405	1 227
Own shares	(2)	-
Hedging reserve	4 539	(423)
Revaluation reserve	10	11
Retained earnings	62 559	36 582
Total equity	**115 485**	**38 455**
LIABILITIES		
Non-current liabilities		
Loans, borrowings and bonds	10 088	8 953
Provisions	2 466	465
Deferred tax liabilities	-	613
Derivatives	5 091	769
Lease liabilities	2 465	2 127
Other liabilities	218	183
	20 328	**13 110**
Current liabilities		
Trade and other liabilities	25 110	12 144
Lease liabilities	353	356
Liabilities from contracts with customers	264	300
Loans, borrowings and bonds	5 513	945
Provisions	4 309	2 362
Current tax liabilities	4 160	621
Derivatives	11 969	623
Other liabilities	5 802	2 037
	57 480	**19 388**
Total liabilities	**77 808**	**32 498**
Total equity and liabilities	**193 293**	**70 953**

(in PLN million)

Separate statement of changes in equity

	Share capital	Share premium	Own shares	Hedging reserve	Revaluation reserve	Retained earnings	Total equity
01/01/2022	1 058	1 227	-	(423)	11	36 582	38 455
Net profit	-	-	-	-	-	27 625	27 625
Items of other comprehensive income	-	-		4 962	(1)	35	4 996
Total net comprehensive income	**-**	**-**	**-**	**4 962**	**(1)**	**27 660**	**32 621**
Equity resulting from merger under common control	-	-	-	-	-	(186)	(186)
Dividends	-	-	-	-	-	(1 497)	(1 497)
Issue of merger shares	916	45 178	(2)	-	-	-	46 092
31/12/2022	**1 974**	**46 405**	**(2)**	**4 539**	**10**	**62 559**	**115 485**
(unaudited)							
01/01/2021	1 058	1 227	-	(74)	(8)	29 666	31 869
Net profit	-	-	-	-	-	8 398	8 398
Items of other comprehensive income	-	-	-	(349)	19	15	(315)
Total net comprehensive income	**-**	**-**	**-**	**(349)**	**19**	**8 413**	**8 083**
Dividends	-	-	-	-	-	(1 497)	(1 497)
31/12/2021	**1 058**	**1 227**	**-**	**(423)**	**11**	**36 582**	**38 455**

(in PLN million)

Separate statement of cash flows

	12 MONTHS ENDED 31/12/2022 (unaudited)	3 MONTHS ENDED 31/12/2022 (unaudited)	12 MONTHS ENDED 31/12/2021	3 MONTHS ENDED 31/12/2021 (unaudited)
Cash flows from operating activities				
Profit before tax	**31 154**	**17 002**	**9 899**	**3 910**
Adjustments for:				
Depreciation and amortisation	2 223	650	2 106	594
Foreign exchange (profit)	(119)	(272)	(112)	(69)
Net interest	18	(35)	143	25
Dividends	(1 070)	(70)	(890)	(172)
(Profit) on investing activities, incl.:	(7 175)	(8 479)	(4 181)	(2 851)
recognition/(reversal) of impairment allowances of property, plant and equipment, intangible assets and other assets	*2 256*	*127*	*78*	*59*
settlement and valuation of derivative financial instruments	*2 444*	*(865)*	*(3 059)*	*(1 662)*
(gain) on bargain purchase of the Grupa LOTOS S.A. and of the PGNiG S.A.	*(12 465)*	*(7 996)*	-	-
Change in provisions	3 234	790	2 470	831
Change in working capital	(3 629)	1 854	(3 207)	(2 848)
inventories	*4 149*	*7 390*	*(3 416)*	*(1 554)*
receivables	*(2 227)*	*3 667*	*(4 023)*	*(631)*
liabilities	*(5 551)*	*(9 203)*	*4 232*	*(663)*
Other adjustments, incl.:	2 193	4 801	(713)	(1 483)
settlement of grants for property rights	*(1 388)*	*(350)*	*(1 051)*	*(246)*
security deposits	*3 724*	*5 548*	*148*	*(1 294)*
Income tax received/(paid)	(1 975)	(1 186)	(519)	30
Net cash from/(used in) operating activities	**24 854**	**15 055**	**4 996**	**(2 033)**
Cash flows from investing activities				
Acquisition of property, plant and equipment, intangible assets and right-of-use asset	(10 424)	(4 362)	(5 295)	(1 935)
Acquisition of shares	(1 272)	(377)	(492)	-
Proceeds from the sale of shares in connection with the implementation of REMEDIES and sale of 30% of shares in Rafineria Gdańska	4 579	4 579	-	-
Outflows from additional payments to equity in subsidiaries	(985)	(715)	(485)	-
Disposal of property, plant and equipment, intangible assets and right-of-use asset	2 144	478	538	5
Cash in the Grupa LOTOS S.A. as at the merger date	3 235	-	-	-
Cash in the PGNiG S.A. as at the merger date	4 222	4 222	-	-
Cash as at the date of establishing the joint operation in Rafineria Gdańska	375	375	-	-
Interest received	304	141	80	23
Dividends received	1 199	70	889	202
Expenses from loans granted	(5 057)	(2 986)	(2 954)	(1 036)
Proceeds from loans granted	2 385	393	1 233	465
Net flows within cash-pool system	(798)	991	(442)	86
Settlement of derivatives not designated as hedge accounting	(2 532)	(386)	2 609	2 711
Other	-	(1)	(6)	(4)
Net cash from/(used in) investing activities	**(2 625)**	**2 422**	**(4 325)**	**517**
Cash flows from financing activities				
Proceeds from loans and borrowings received	9 815	1 978	11 716	4 195
Bonds issued	-	-	3 225	-
Repayments of loans and borrowings	(19 996)	(11 734)	(12 622)	(2 933)
Redemption of bonds	(800)	(200)	(200)	-
Interest paid from loans, borrowings, bonds and cash pool	(576)	(307)	(201)	(13)
Interest paid on lease	(80)	(16)	(72)	(10)
Dividends paid to equity owners of the parent	(1 497)	(1 497)	(1 497)	-
Net flows within cash-pool system	(2 302)	(3 697)	259	76
Payments of liabilities under lease agreements	(345)	(87)	(333)	(59)
Other	(26)	15	(4)	16
Net cash from/(used in) financing activities	**(15 807)**	**(15 545)**	**271**	**1 272**
Net increase/(decrease) in cash	**6 422**	**1 932**	**942**	**(244)**
Effect of changes in exchange rates	1	7	(7)	(8)
Cash, beginning of the period	1 521	6 005	586	1 773
Cash, end of the period	**7 944**	**7 944**	**1 521**	**1 521**
including restricted cash	*766*	*766*	*81*	*81*

This consolidated quarterly report was approved by the Management Board of the Parent Company on 23 February 2023.

signed digitally on the Polish original
……………………..…………..
Daniel Obajtek
President of the Board

signed digitally on the Polish original
……………………..…………..
Armen Artwich
Member of the Board

signed digitally on the Polish original
……………………..…………..
Adam Burak
Member of the Board

signed digitally on the Polish original
……………………..…………..
Patrycja Klarecka
Member of the Board

signed digitally on the Polish original
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Krzysztof Nowicki
Member of the Board

signed digitally on the Polish original
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Robert Perkowski
Member of the Board

signed digitally on the Polish original
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Michał Róg
Member of the Board

signed digitally on the Polish original
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Piotr Sabat
Member of the Board

signed digitally on the Polish original
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Jan Szewczak
Member of the Board

signed digitally on the Polish original
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Iwona Waksmundzka-Olejniczak
Member of the Board

signed digitally on the Polish original
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Józef Węgrecki
Member of the Board